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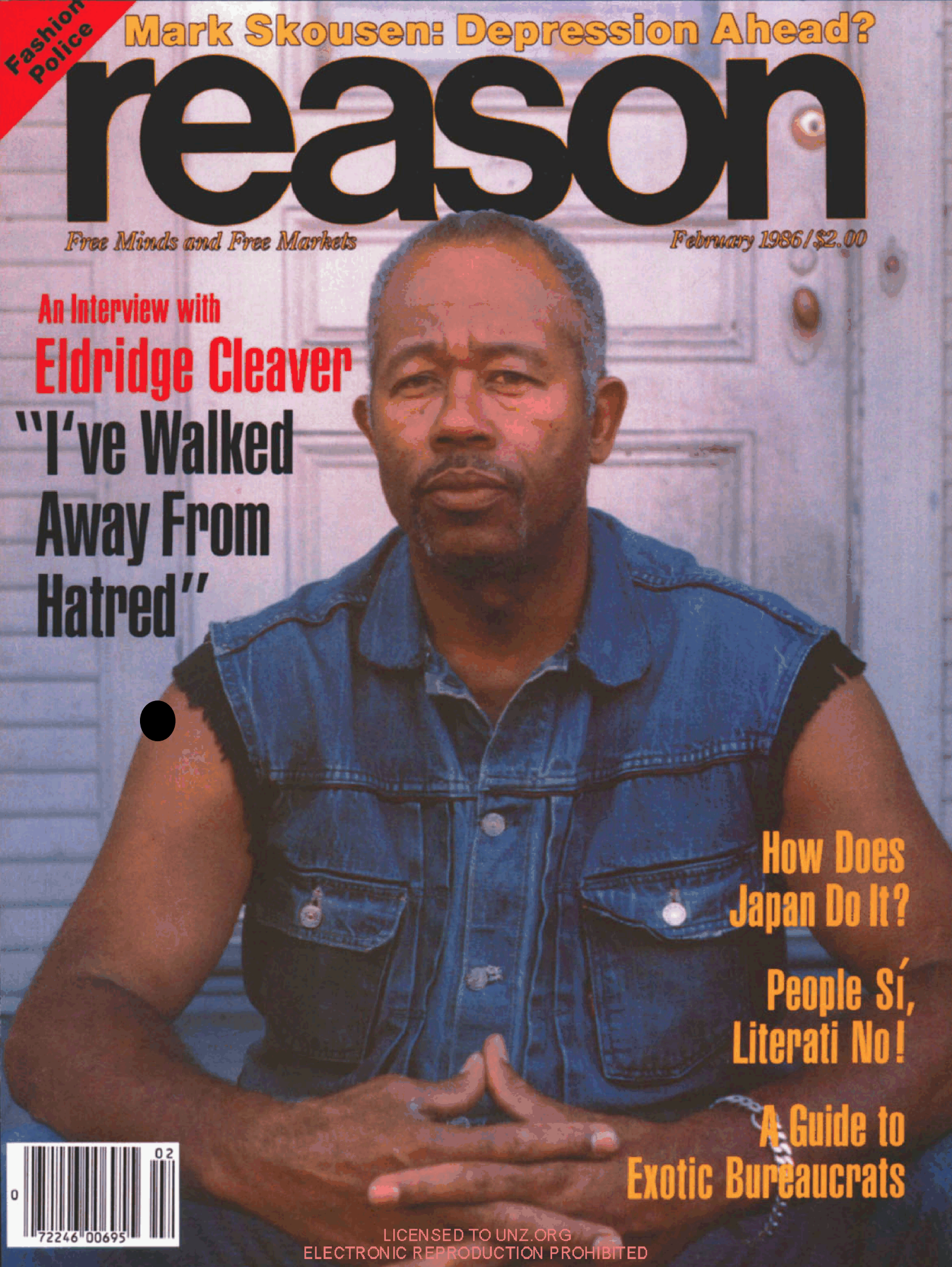

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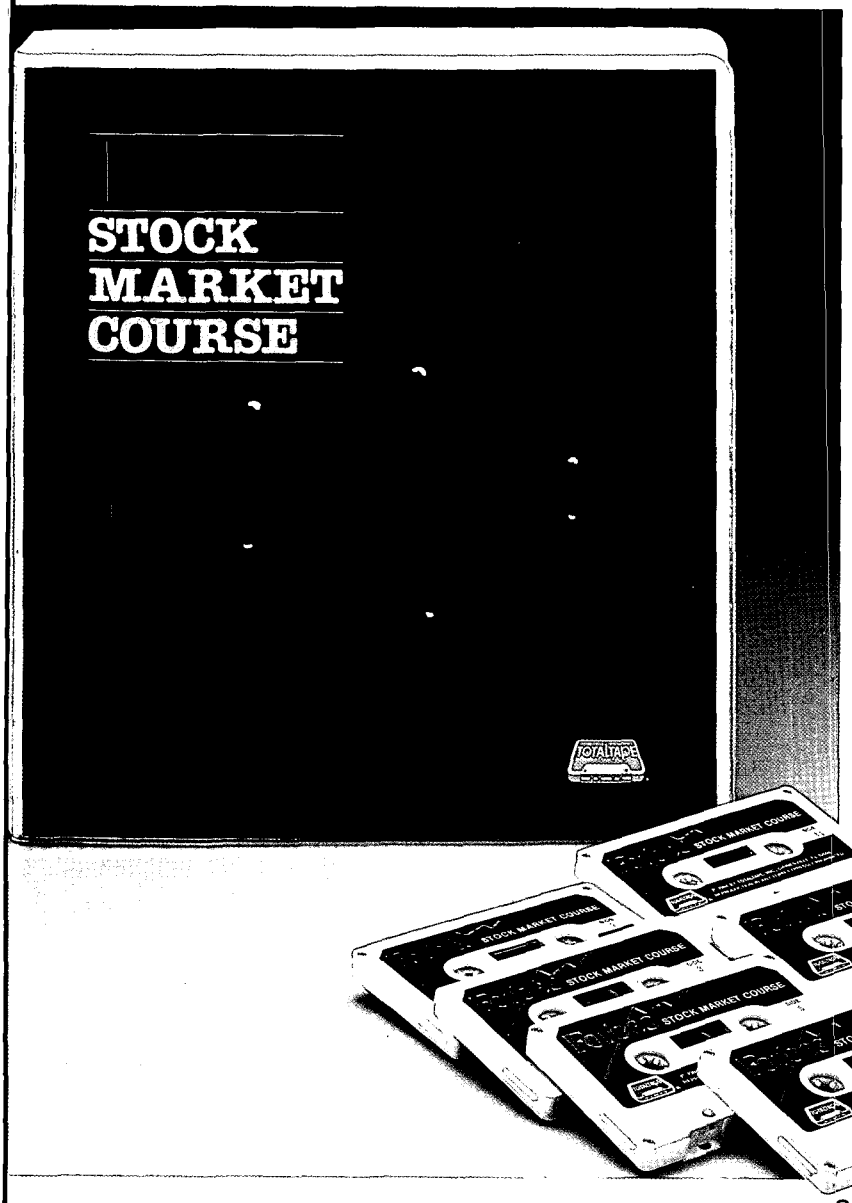

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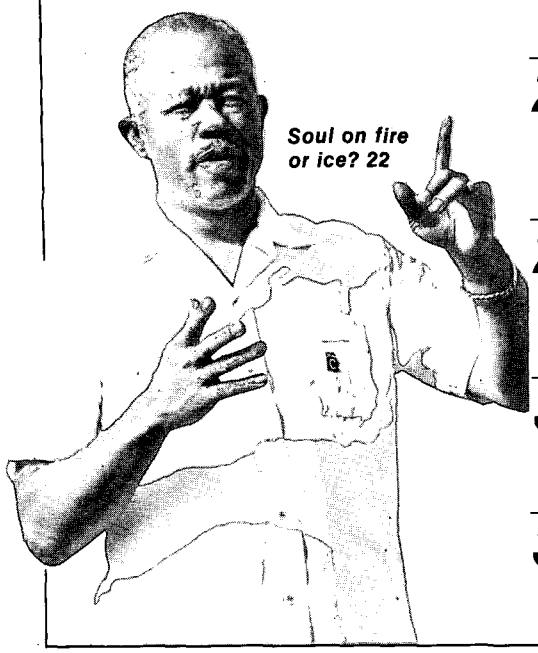


Soul on fire or ice? 22

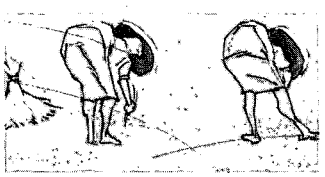
22 ***Interview with Eldridge Cleaver***
Bill Kauffman and Lynn Scarlett
He used to plot how to kill Ronald Reagan. Today he worries about how to get blacks off welfare and into the economy. The ex–Black Panther revolutionary talks to REASON.

29 ***Hornswoggled!***
Marvin N. Olasky
Once upon a time competition reigned in the utility industry. Then Ma Bell, Chicago Edison, and some fast-talking PR men hoodwinked America with a monopoly scam that consumers still buy.

34 ***Foreign Exotica***
Thomas O. Melia
From Lesotho to Bulgaria to Madagascar, you'll find the oddest bureaucrats.

36 ***Japan's Secret***
Katsuro Sakoh
Next time some neoliberal trendoid starts praising Japan's "industrial policy," you'll be able to tell him a thing or two.

departments



MITI myths 36

Genus bureaucratis 34

Trends

14 Blacks don't follow the leader, entrepreneurs lick the Postal Service, high-flying tourists head for the stars, the home team stays home...

Life & Liberty

44 ***Communist Comedy***
Christopher McDaniel
Groucho meets Karl in East German paradise. Guffaws ensue.

46 ***Let's Hear It for The Fashion Police***
Stephen G. Barone
What? The state still allows leisure suits? How backward are our regulators!

The Book Case

48 ***Getting Transit on the Right Track***
Peter Samuel
Urban Transit: The Private Challenge to Public Transportation, edited by Charles Lave

50 ***Foot-Shooting Policy Prescriptions***
Benjamin Zycher
The Policy Game: How Special Interests and Ideologues Are Stealing America, by Peter Navarro

54 ***Breathes There an Educated Capitalist?***
John Nelson
Schooling and Work in the Democratic State, by Martin Carnoy and Henry M. Levin

4 ***The Long and Winding Road***
Up Front/Lynn Scarlett

10 ***Who Should Sacrifice?***
Editorial/Robert W. Poole, Jr.

10 ***Dial-a-Porn Farce***
Editorial/Marty Zupan

41 ***Back to the Roaring Twenties?***
Investments/Mark Skousen

42 ***Zoning Revolutionary***
Spotlight/John Dentinger

58 ***People Sí, Literati No!***
Viewpoint/Jeff Riggenbach

6 ***Letters***
12 ***Brickbats***
52 ***Rudebarbs***
56 ***Book Hints***

Cover photograph by George T. Kruse

REASON *(ISSN 0048-6906) is published monthly except combined June/July issue by the Reason Foundation, 1018 Garden St., Santa Barbara, CA 93101. Second class postage paid at Santa Barbara and additional mailing offices.* ***Postmaster:*** *Send address changes to REASON, Box 27977, San Diego, CA 93128.* ***SUBSCRIPTIONS:*** *$24.00 per year. Outside United States add $8/year for surface; $36/year airmail. Payment from Canada: US dollar postal money orders only.* ***CORRESPONDENCE:*** *Send* ***new subscriptions*** *and* ***address changes*** *(include address label and new address) to REASON, Box 27977, San Diego, CA 92128; 619/485-9623 or 566-6947. Allow six weeks. Send* ***manuscripts*** *(for return, include SASE),* ***letters*** *and* ***classified ad orders*** *(with payment) to REASON, Box 40105, Santa Barbara, CA 93140-0105; 805/963-5993.* ***COPYRIGHT ©1986*** *by the Reason Foundation. All rights reserved. Reproductions or use, without permission, of editorial or graphic content is prohibited. Opinions expressed in signed articles and columns do not necessarily represent the views of the editors or of the trustees, officers, or advisory board of the Reason Foundation. REASON is a registered trademark owned by the Reason Foundation.*

up front

The Long and Winding Road

Clear blue waters. A skyscape of white buildings. The *muezzin*'s early morning prayer call filtering through the air from a distant mosque. This was Camus country—Algeria, 1971. I had come on the coattails of the antiwar, anti-imperialist student movement to interview one of its high muckamucks, Eldridge Cleaver, for a US publication.

I only vaguely recall just how I made my way through a maze of Algerian bureaucrats—postrevolutionary types who sometimes still wore bandoliers—to find the Black Panther leader-in-exile. I do keenly remember meeting the man himself. He was articulate—very.

And so he was when, nearly 15 years later, REASON editor Bill Kauffman and I met with Eldridge Cleaver in Berkeley, California, to interview him for REASON magazine. In some ways, I felt a special affinity with this man. In my own small way, I'd traveled some of the same routes as he had. His was a rockier, more perilous road than mine. He'd carried guns, spent years in prison, lived in exile, mixed with real machine gun-toting revolutionaries. I had only marched in demonstrations and met a few intellectual would-be revolutionaries of the Tom Hayden ilk.

Still, like Cleaver, I remember the late '60s as a participant. My political ideas began to take shape then, pushed along by a gut desire to see justice, freedom, and other lofty if murky ideals materialize in a Great New World. At the time, the left seemed to speak to such ideals. I flirted briefly with socialist dogma—though ever-wary of Big Brother east and west. Eldridge Cleaver more energetically and wholeheartedly embraced the standard socialist dicta.

Yet here we were, years later, talking favorably about the private sector, individual rights, the ills of communism, the wonders of high technology—and justice and freedom. Yes, the thread of continuity was there for us both. Seated before me was not a man who had renounced his opposition to the war in Vietnam or his struggle against racism. Instead, here was a man who, cherishing freedom always, had never given up asking questions, probing, observing. And when those observations did not square with the dogma he'd first embraced, he rejected it with great courage and integrity.

Friends abandoned him. His former enemies didn't understand him. But he let neither stand in the way of rethinking the world and reformulating his views.

Those views now harmonize a distrust of governments and an appreciation of civil liberties and economic freedom. Though others profess a similar medley of values, Eldridge Cleaver is nobody's dupe. His interests are catholic—we glanced around the room to see books or files on religion, economics, prisons, Marx, Nixon, sperm (banks? whales?), and Jim Morrison, to name a few. And his ideas are original. Fifteen years ago, I remember leaving his Algerian villa and thinking that this was a complex, talented, articulate man. I left his Berkeley apartment with the same perceptions.

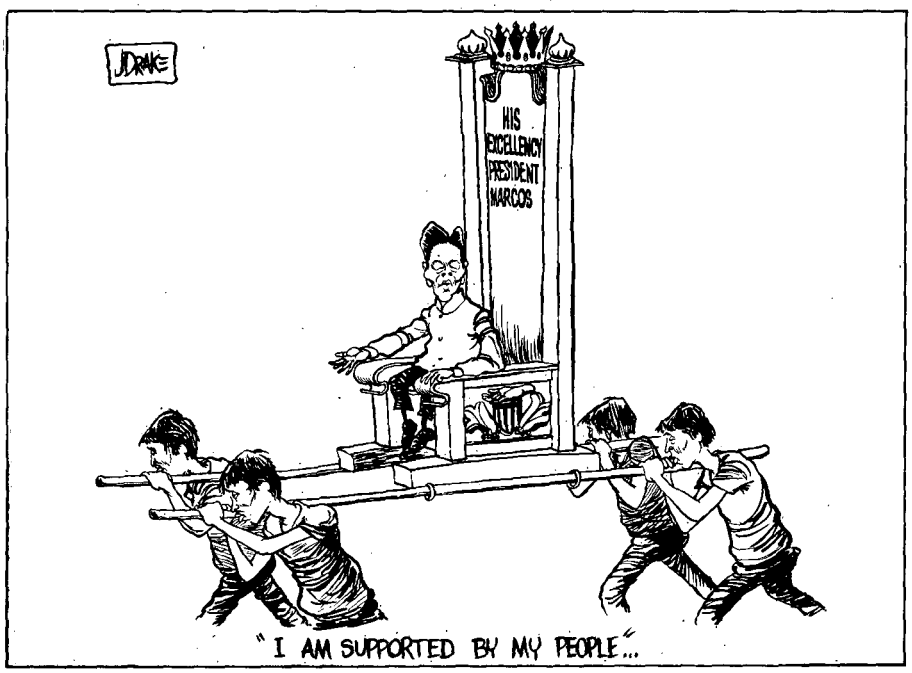
I wish I could have reinforced my memories about his '60s views with a rereading of that earlier interview I'd done. But I couldn't. My youthful inexperience—and a decided absence of photocopy machines in 1971 Algeria—led me to send the only existing copy of the interview off to its US destination. But it never arrived. Another lapse in the postal service's reliability? I suspect a more ignominious disappearance of the fated manuscript.

At the time, J. Edgar Hoover was at his most ardent in tracking down "enemies of the people." The interview, I fear, found its way into FBI hands—snatched from the mails as a suspect item postmarked from that Algerian hotbed of revolution.

And I'm not just prone to paranoid musings. One day, after returning to the United States, I received one of those "sit down this is serious" calls from my father. The FBI, he said, had paid him a visit, recounting with remarkable accuracy my whereabouts for the previous six months, including my trip to Algeria. Good old Dad indignantly sent the agents packing with the observation that it was none of their business what his daughter had been doing in Africa. But the visit left me forever wondering about that lost manuscript.

Mail mishap or not, my first interview with Eldridge Cleaver never made it into print. This time, I meticulously shepherded the interview tapes back to REASON—and into print.

—Lynn Scarlett



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To give you an idea of what we're about, here's our editorial introduction to professed libertarian (and sf star) F. Paul Wilson's "Dydeetown Girl," taken from Baen's flagship paperback magazine, *Far Frontiers*. It says very well what Baen Books is about.

> Some people are apt to mistake *Far Frontiers* for a conservative, not to say reactionary, magazine. Well, it just ain't so. We are no more conservative than was that hatchet-wielding fanatic, George Washington. No more reactionary than Sam Adams or Thomas Jefferson. (Before the flaming ardor of a Tom Paine we turn quite pale.) Rather, we are classic liberals who believe in the ultimate rightness of free markets and free minds. Sweet reason is our lodestar, and liberty our heart's desire.
>
> Alas the word "liberal" has been taken from us and perverted until the new meaning is the very opposite of the old. Oh well, if we can't be liberals, we'll be *anti*-liberals. But please don't get us wrong: keep off our backs and we're not the least bit dangerous. Like the Dydeetown Girl, all we really want is to be free. . .

Or this, also from *Far Frontiers*:

> The trouble with freedom is that it's so much . . . *trouble*: nobody to tell you what to do, so you have to do what you think best; nobody to regard you as a valuable property, so you have to take care of yourself; nobody to imbue your life with meaning because that's *your* job. Freedom, as opposed to license, implies a great deal of skull sweat and other forms of hard labor. It is not for the sissies. But the compensations are transcendent, for the strong.

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(see p. 7)

letters

Democrats the Party of Freedom? Not a Chance

I found Bill Kauffman's article "Desperately Seeking Solutions" (Dec.) both thoughtful and thought-provoking. The implications of the article, however, are not clear. If he believes that the Democratic Party is in the process of becoming the party of liberty, Mr. Kauffman is being a bit naive.

The so-called neoliberal movement has elements of market orientation. Nonetheless, we should not believe that Gary Hart, Bill Bradley, Bruce Babbitt, et al. are protolibertarians. A better explanation for the neoliberal movement is that it is not unlike the Republican Party's complete acceptance of the welfare state in the 1960s.

New domestic spending programs are not in vogue, and some current ones are candidates for minor pruning by these neoliberals. But on fundamental economic issues like the balanced-budget amendment (which is a litmus test for the truly proliberty perspective), neoliberals are by and large hostile.

Too many people have overemphasized the dictum "ideas have consequences." The fact is, lots of bad ideas (like the neoliberals' national-service program) have no impact. Nor do some good ideas. Good ideas *can* have consequences when they are carefully developed and marketed in the context of the current political dynamic. As long as the Democratic Party is wedded to radical redistribution, neoliberals—even if they are sincere in their positive policy prescriptions—cannot be expected to have a significant impact. The realities of our two-party system should be seen clearly. The days of Andrew Jackson Democrats are unfortunately long gone.

Robert Capozzi
Arlington, VA

Mr. Kauffman replies: Mr. Capozzi misunderstands. The neoliberal vision of a benevolent technocratic state holds no allure for me. But their skepticism of foreign intervention does. Unfortunately, the young Republicans who support a balanced-budget amendment are often the same Teddy Roosevelt disciples who want to sacrifice a few thousand kids to the old progressive dream of American Empire. And yes, Mr. Capozzi, Andrew Jackson democrats survive still. They're all around—in the factories, the roadside diners, the punk rock clubs. Perhaps someday champions of liberty will stop slobbering over soulless yuppies and malefactors of great wealth and rediscover the spirit of '76, beating loud as ever in the American heartland.

Time to Rethink 55

I think that Alan Pisarski's critique of the 55-mile-per-hour speed limit ("Deep Six 55," Nov.) is sound. However, the panel of the National Academy of Sciences, on which I served, merely came to the conclusion that the speed limit's benefits exceeded its costs. The panel was not charged with considering whether some alternative policy might be even more cost beneficial. I would personally support permitting the states to engage in experimental modifications of the national maximum speed limit in the interests of both freedom and knowledge, but the panel as a whole could not agree on this suggestion.

H. Laurence Ross
University of New Mexico
Albuquerque, NM

You Can't Fool Mother Nature

There REASON goes again! I last wrote you a letter when you did a cover story on the subject of biology, which fostered the theory of evolution (Dec. 1981); this time it's Ronald Bailey's cover story on biotech ("Fear and Loathing of Biotech's Bright Future," Nov.) that prompts me to write. I do not see the consistency between your pursuit of the freedom of

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man vis-à-vis man in your usual nonpareil defense of free minds and free markets and man vis-à-vis nature in your defense of biotechnology.

Bailey hesitates to look at the arguments against the unpredictable effects of intervention in the intricate process of nature; how then do you expect others to listen to REASON's arguments against the unpredictable effects of intervention in the intricate process of the market? A case in point: Bailey reports that the US Department of Agriculture is experimenting (with taxpayers' money) with growth hormones for food animals. Recall that raisers of food animals in the '50s used to administer USDA-recommended diethylstilbesterol (DES) to augment the animals' size. Pregnant human mothers were prescribed the same substance to avoid miscarriage; today their daughters inherit cancer a generation later as a result of this genetic experiment.

It ain't nice to fool mother nature; it ain't nice to fool the marketplace. Nature to be commanded must be obeyed; human nature to be commanded must be obeyed. Bailey rejects antibiotech activist Jeremy Rifkin's book *Algeny*; I only hope I live long enough to hear REASON's rebuttal to a chapter in that book entitled "Darwinian Sunset."

W. Alfred Spoor
Houston, TX

Dim Spotlight

I can't believe that REASON is running so low on legitimate defenders of liberty to profile that it feels obliged to spotlight the contradiction-laden John Milius (Spotlight, Dec.). According to John Dentinger's article, Milius has no doubts about Bernard Goetz's subway vigilante act, waffles about free-market restrictions like the minimum-wage law despite his alleged belief in laissez-faire capitalism, supports the draft, and believes in some kind of "warrior class" and *Pax Americana*.

Okay, I admit that we have to consider more than just Mises and Rand spinoffs, but let's draw the line somewhere. And somewhere before Milius. Maybe I'm being too harsh though, for he did give us *Conan the Barbarian* (maybe to make up for *Apocalypse, Now*). But on the other hand...

David M. Brown
Syracuse, NY

The End of a Cartel That Never Was

Your October Trends reported on the demise of OPEC, but the organization may be finished as a cartel before it has had a chance to act as one. Since OPEC rose to prominence, around 1973, one nation, Saudi Arabia, has acted as swing producer without effectively imposing production quotas on the other members. To be sure, since March 1983 OPEC has tried to be a cartel, but again the burden was assumed by the Saudis who reduced their output from 10.5 down to 2.5 million barrels per day. It was this enormous cut, 15 percent of world production, which has kept the price at an artificially high level. A major adjustment is overdue.

In historical perspective (as pointed out in my book *Free Market Energy*), things would have gone better for the world economy if the low-cost Arabian resources had been discovered and exploited before high-cost resources were tackled elsewhere. But don't blame the

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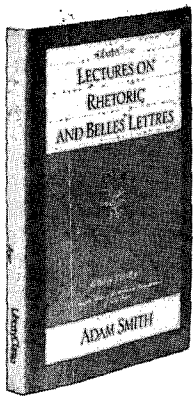

Lectures on Rhetoric and Belles Lettres

By Adam Smith
The Glasgow Edition
Edited by J. C. Bryce

Lectures on Rhetoric and Belles Lettres consists of transcriptions of the notes of an unknown student who attended Smith's lectures in 1762-63. This manuscript was first discovered by John M. Lothian of the University of Aberdeen in 1958. In these lectures, Smith demonstrated the connection of language and the ability to communicate thoughts and inclinations to the development of sympathy and fellow-feeling, concepts central to his more famous works.
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letters

geologists; history willed otherwise.

In the next century even the low-cost resources will be depleted and oil will come from the remaining high-cost deposits, mainly in the Middle East. But by then we won't care; substitutes will be fully developed and oil will be just another resource.

S. Fred Singer
George Mason University
Fairfax, VA

Bad Moon Rising for Not-So-Natural Monopolies

I read with interest "Power Stations: Some Like Them Competitive" (Trends, Nov.). As you indicate in the necessarily brief piece, slowly but steadily market ideas are infiltrating even the electric utility industry. When I began my competition research in 1968, "natural monopolies" was the standard; I was virtually a voice crying in the wilderness. Now, even the pro-regulation forces see serious problems with the natural monopoly concept. Moreover, the pro-regulation forces seem to be shrinking in number and their voices seem to be lower. An evolution toward more competition in the electric utility business is clearly under way.

Walter J. Primeaux, Jr.
University of Illinois
Urbana-Champaign, Illinois

Jolly Good Advice!

I was delighted to see Mark Skousen's recommendation to buy London mutual funds (Investments, Oct.). It has been frustrating being an American living in London to see that Americans are never told about the exciting potential in this huge market.

To help overcome the bewildering task of selecting from the thousands of mutual funds available through England, there is a monthly statistical sheet (quoted in US dollars) that covers the price movements of over 1,000 non-US mutual funds. This publication is called *Fund Help International.* The annual subscription is $99.00. Details can be obtained from FHI, PO Box 1427, Naples, FL 33939.

Gary A. Scott
London, England

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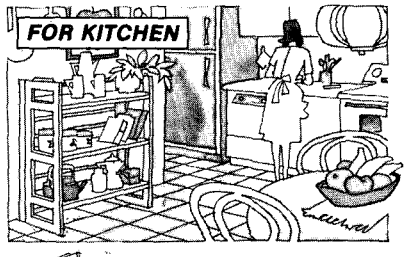

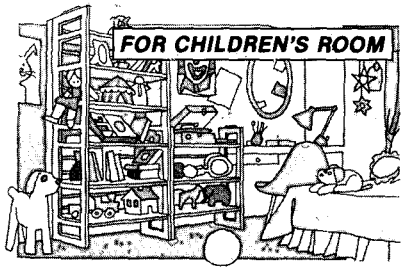

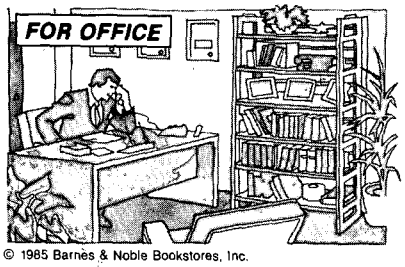

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Robert W. Poole, Jr. / Who Should Sacrifice?

America's newest syndicated columnist is the ubiquitous Lee Iacocca, chairman of Chrysler Corporation. Though short on academic sophistication, Iacocca does possess the virtue of plain speaking.

In a recent column, Iacocca lays it right on the line. By spending $200 billion more than they take in each year, our President and Congress have doubled the national debt in just four years—from $1 trillion to $2 trillion. Interest alone is now eating up $150 *billion* a year.

It's got to stop, Iacocca sensibly proclaims, just as a family must take the credit card away from the spendthrift who doesn't know when to stop. And because stopping the binge will be painful, Iacocca calls for "sacrifice." Better hold onto your wallets, folks!

To balance the budget, Lee wants to close the gap 50 percent by spending cuts (half in defense, half in unspecified domestic programs) and 50 percent by new taxes. And guess which taxes he wants to impose: huge new taxes on gasoline and on imported oil. Yes, indeed, we'd all have to sacrifice—all of us, that is, except Chrysler Corporation, which over-invested in small cars (which aren't selling very well these days because oil prices are so low). Iacocca's "sacrifice" taxes would give Chrysler a large boost in market share compared with Ford and General Motors.

Aside from its blatant self-interest, Iacocca's call for sacrifice misses the target. Federal spending is out of control because specific constituencies are benefitting at the expense of taxpayers in general. Ending budget deficits by cutting spending rather than raising taxes recognizes that it is the guilty parties—these constituencies—that should sacrifice, not ordinary taxpayers.

As a practical matter, the only way major spending cuts could get through Congress is as a package deal that traded off cuts to one interest group for cuts of comparable magnitude to others. For example, $29 billion in farm subsidies and rural-area grants might well be eliminated if $12 billion in urban-area grant programs and $15 billion in middle-class programs (such as college student aid) were eliminated simultaneously. A recent Reason Foundation analysis identified $126 billion in programs that could be cut from the 1986 federal budget in this "reverse log-rolling" fashion.

Compared with balancing the budget via $126-billion tax increases, this sort of "sacrifice" has a lot going for it. To be sure, some among us would be net losers, giving up more in targeted benefits than they would have had to pay in a general tax increase. But that is precisely as it should be. The average taxpayer is *not* the cause of our $200 billion deficit or $2 trillion national debt. The sacrifices that must be borne should be visited on those who *are* responsible. ◻

Marty Zupan / Dial-a-Porn Farce

There's a bureaucratic drama in the making, with more than the usual sex appeal. But it probably won't have a happy ending, because politicians seem constitutionally (no pun intended) incapable of sweeping the stage clean.

The players are a familiar lot: there's the business-villain, in this case the dial-a-porn industry. Enter, stage Right, conservative members of Congress. The supporting cast is drawn from the Federal Communications Commission, which has a role in this morality play as the Federal Phone Fuzz. Waiting in the wings are "the liberals," played by the civil-rights-attuned courts.

Act I: The time is 1983. Dial-a-prayer, dial-a-joke, dial-a-fortune, et al. are making money in a small way. Aha, say some entrepreneurs. How about dial-a-porn? But three months after the first services are on-line, Congress heroically sweeps in to restrict minors' access to interstate heavy breathing. Figure out how to do it, says Congress to its minions at the FCC. Okay, say the phone cops; from now on, porn-by-phone shall only be allowed at night. Act I ends in court, with the Second Circuit Court of Appeals sitting on the FCC: What about adults' First Amendment rights during the day? And anyway, says the court, *this* won't tame the teens. The lights fade to murmured sweet-nothings in the background.

Act II, two years later: The Phone Fuzz are back in a new costume. Dial away, says the FCC, but the porn purveyors can't connect you unless you charge the call on a credit card or obtain a special access number, application for which requires that you swear to be 18 or older. The best one-liner in this act: "We realize that people do occasionally lie, but that's the best we could do." As the curtain falls, the dial-a-porn industry is heading for court again.

Act III: The plot thickens. One phone company, Mountain States, responds to outrage from parents whose randy teens have run up hundred-dollar telephone

bills. It decides to drop its several dial-a-porn services. But this voluntary action is no more satisfactory than the phone cops'—Act III also ends in court, with the Ninth Circuit *ordering Mountain States to restore the service* while the court considers the matter.

The final act in this juicy drama hasn't been played out yet. But it's a good bet that the writers, directors, and producers of this ridiculous farce aren't going to come up with an ending that will allow individuals to live happily ever after.

Instead, conservatives will absurdly continue trying to shield Americans from every sensory experience that just might corrupt them. In fact, Sen. Jesse Helms (R-N.C.) has dropped the facade of protecting *minors*. He wants to put dial-a-porn on permanent hold, via legislation that would banish from interstate telecommunications "any comment, request, suggestion or proposal which is obscene, lewd, lascivious, filthy or indecent."

Liberals are no better. They're happy to *force* dial-a-porn on one business (the phone company) at the behest of another business (the phone-porn industry) in the name of freedom of expression. But that's just as intolerable as the Right's call for censorship.

Of course, the courts couldn't get away with it if it weren't for the special legal status of the phone companies. As regulated monopolies, they're treated as common carriers, meaning they *must* provide service to all comers—including, say the courts, purveyors of naughty messages.

And therein lies the real moral of this story: deregulate the phone industry—*truly* deregulate it, wiping away local monopoly status and allowing voice transmission services to compete—and everyone could be happy, or as near to bliss as is possible in a free society. Different services would be able to appeal to different customers by offering or promising not to offer such extras as on-line erotica. Customers wouldn't need the Phone Fuzz; they could switch services to get what they want.

Conservatives would have to swallow the element of free choice, but they wouldn't be driven by the logic of monopolistic utilities to have porn forced down the throats of businesses that want to serve their customers by *not* carrying it. And liberals could stop fighting rearguard actions against the conservatives on silly grounds. After all, would they seriously argue that the *New York Times* must carry centerfolds?

But don't sit in your seats holding your breath. ◻

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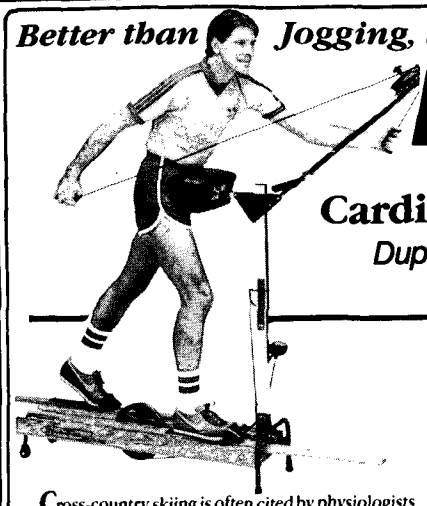

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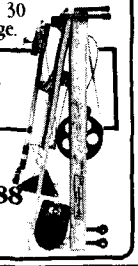

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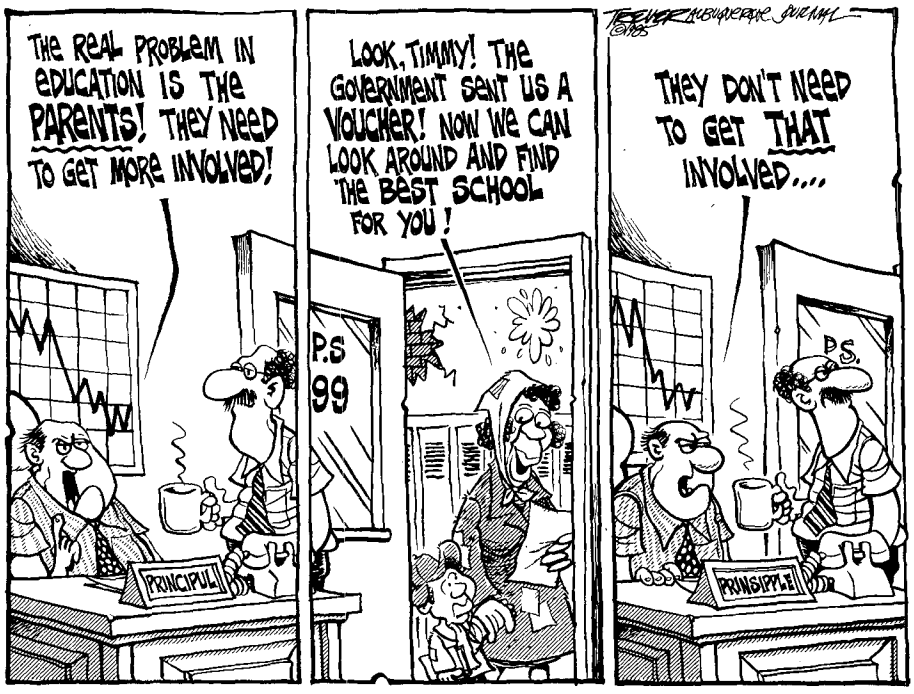
brickbats

Hey, catch the specs on Nicaraguan President Daniel Ortega. While toilet paper and toothpaste are being rationed back home in Sandinistaville, the Marxist president was splurging on designer glasses that make him look just like every other yuppie on Wall Street. He ordered his 17-car motorcade to make a slight detour on the way to the United Nations' 40th-anniversary bash in New York last October. He visited Cohen's Fashion Optical store on the Upper East Side to buy six pairs of sophisticated yet simple, lightweight yet bulletproof eyeglass frames—at $300 apiece. Rosario Murillo, Ortega's wife, chose three pairs of Gucci frames, as well as three Fiorucci frames for the couple's daughter back home on the front lines. The bill came to $3,500, which Ortega paid with a Diner's Club card. As Fernando might say, the glasses look absolutely *mahvelous* in the trenches.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THEY DON'T NEED TO GET THAT INVOLVED....
PRINSIPYLE

Passengers on Amtrash,...er, Amtrak, the nation's socialized railroad system, spent an hour in the Twilight Zone last October when the trains suddenly stopped in the middle of their trips. No, it wasn't engine failure, track trouble, or even a union-mandated coffee break. The delay was for the 2:00 A.M. changeover from daylight-saving to standard time. Rather than allow passengers to arrive at their destinations an hour early (perish the thought!), the central planners in the front office decreed a one-hour systemwide stop so that the timetable would jibe with the clock. Amtrak is the best advertisement for air travel.

Richard J. Stiene of Morris County, New Jersey, holds the unique distinction of being the first motorist to be convicted of drunk driving when his car was mechanically inoperable, had no gas, and the key hadn't even been put in the ignition. A state appeals court upheld the conviction and 10-year license suspension, ruling that if an intoxicated person sits behind the wheel of a vehicle with the intention of driving, that person is guilty of drunk driving—even if the car never moves. With some legal gymnastics that would make Mary Lou Retton redden with jealousy, the court said the mere fact that the car *could* have moved meant that it would have been under the control of an intoxicated driver. Wonder what's in the water pitchers at the appeals court?

A Northampton, Massachusetts, man was jailed on charges of failing to pay a $3 license fee and get a rabies shot for a pet dog that he said died three months before his arrest. Bruce Davidson says he was so distraught over the dog's death he forgot to call the city dog officer who had filed a charge against him. Davidson was taken to police headquarters, given a body search, and put in a cell. City Dog Officer Willette White says she wouldn't have brought Davidson to court had she known the dog was dead. But "I hope this reminds people that they have to register their dogs every year," barked the bureaucrat.

Dead men collect no taxes. Or do they? Thomas Eckart, the long-time incumbent tax collector of Hayfield Township in Pennsylvania, died a week before last November's election. But he made a macabre comeback of sorts by winning reelection, 2 to 1, over his Democratic opponent. If the only certainties in life are death and taxes, Eckart has his bets covered.

Poor Donald Duck. He's played second fiddle to Mickey Mouse for over 50 years. The irascible mallard with the world's best-known speech impediment has failed once again to win a seat in Sweden's parliament. Donald won 291 votes in the general election, up 37 percent from his 1982 tally, but he still trailed most other candidates badly. Prime Minister Olaf Palme's Social Democrats (sort of a cross between Goofy and Lenin) won the most seats.

Preserving the historic character of downtown Harrisburg, Pennsylvania, is so important to the city council that a state legislator has been ordered to remove windows he recently installed in an apartment building he owns. The modern single-pane, heat-saving windows violate the zoning ordinance. In his appeal to Dauphin County Court, state Sen. Edward Early says the city has no right to bar him from replacing old rotted windows. The whole battle is a real pane.

—Mark Edward Crane

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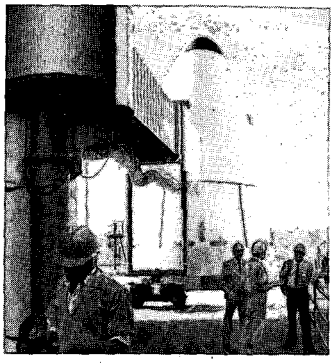
In a first-of-its-kind agreement, Pacific American Launch Systems, Inc., recently signed a contract to supply two Phoenix E space-passenger vehicles to Society Expeditions, a 10-year-old exotic-adventures company based in Seattle. Pacific American, a fledgling private space-transportation company in Redwood City, California, has promised to deliver the vehicles by 1991. Society Expeditions also has an option to purchase 10 additional Phoenixes from Pacific American at a substantial discount.

The Seattle firm had originally thought of NASA's Space Shuttle as its way of offering a space trip, but last year the agency decided not to get into the space-tourism business. Its decision is a potential boon to entrepreneurs wanting to establish a private space-transportation business, who have found a tough battle in trying to convince investors that NASA's Shuttle isn't the be-all of space transportation (see "Space Entrepreneurs," REASON, Jan. 1985). Says Gary Hudson, Pacific American founder and designer of the Phoenix: "Tourism in space is the only market left to justify development of new launch systems."

Hudson says that over time



The Phoenix that's to rise

the price of a space jaunt will come down, perhaps below $10,000 by the year 2000. But even at $50,000 a ticket, Society Expeditions thinks it can get enough well-heeled travelers to make its initial $280-million contract with Hudson worthwhile.

For now, the big challenge is for Hudson to get the financing he needs to produce the Phoenix. Society Expeditions is not putting any money into Pacific American until the Phoenixes are delivered. It'll take several million to fine-tune the design and several hundred million to actually construct the vehicles. But things are starting to look up for Hudson and his lifelong desire to build spaceships. He told REASON that several major corporations—including one from Japan—have now approached him about joint ventures in producing the Phoenix. Not long ago, he was the one doing all the knocking on the doors—and not with great success.

If all goes according to schedule, Society Expeditions will launch its first space excursion in 1992, the 500th anniversary of Columbus's discovery of the New World. Beyond that, who knows? The company's "possible space tour development schedule" lists a 10-day "Lunar Orbit Tour" targeted for the year 2015 and a 14-day "Lunar Excursion Tour" as a possibility for the year 2030. Bon voyage.

A Private Future for Regulation?

Notorious for its fast action, the futures-trading business also has a reputation for unethical dealings. Stories about less-than-scrupulous brokers are common, an unfortunate circumstance that led to the even more unfortunate creation of the federal Commodity Futures Trading Commission in 1974. But three years ago futures brokers established the private National Futures Association, and the regulatory scene has changed dramatically.

The *Wall Street Journal* recently reported that the association "has quietly grown into one of the most powerful private-sector regulatory bodies." Indeed, the NFA "is taking over some of the biggest regulatory issues in the futures markets from the federal Commodity Futures Trading Commission," the *Journal* noted—and is showing more muscle. In September the private association charged Murlas Commodities, Inc., a major broker, with fraud and with "churning"—excessive trading of customers' accounts—and has launched a major investigation of the firm. "Churning allegations are common in civil lawsuits by futures investors," the newspaper reported, "but federal regulators have never managed to bring one against an entire firm while it is still operating." Federal "regulators in the past have seldom conducted the painstaking examination of records needed to document the charge while a firm is still operating."

Funded entirely from fees paid by futures traders, plus membership dues and assessment fees, the NFA has an annual budget of $19 million. In just a few years, both the association's budget and staff will exceed the commission's. "And the NFA's workload is growing," the *Journal* reported. "It expects to initiate about 240 arbitration cases in the fiscal year ending June 30, 1986, a 27% increase from the 189 cases handled a year earlier."

Can regulation be privatized? The NFA suggests a fertile new area for letting the marketplace do better what governments have claimed to do best.

Blacks Don't Play Follow the Leader

Common sense suggests that America's 25 million blacks have a wonderfully diverse range of interests and attitudes, just like the nation's white, Hispanic, and Asian populations. Yet the media tend to treat this heterogeneous group as a monolith whose position on this or that issue is easily gleaned from a chat with one or two black "leaders."

This anti-individualist myth takes a pounding in a new study by the Washington, D.C.-based Center for Media and Public Affairs. The study, which appeared in *Public Opinion* magazine, "revealed a surprising divergence between black leaders and the average black

American on a broad spectrum of concerns, including some at the very heart of race relations," according to center codirector Linda Lichter.

The organization surveyed a nationwide sample of 600 black Americans as well as 105 leaders of the NAACP, the National Urban League, the Southern Christian Leadership Conference, Operation PUSH, the National Conference of Black Mayors, and the Congressional Black Caucus. The specific findings of the survey are interesting:

- 77 percent of the leaders believe that minorities *should* receive preferential treatment in jobs and colleges to make up for past discrimination; 77 percent of the black rank-and-file think they *shouldn't*.
- 68 percent of the black leaders favor forced busing of schoolchildren; 53 percent of the black public oppose busing.
- 59 percent of black leaders want US corporations to disinvest in South Africa; 74 percent of the black rank-and-file want US companies to stay in that troubled land and use their influence for change.
- 74 percent of the leaders say they have personally experienced discrimination in applying for jobs; 60 percent of the black public say they have not.
- 61 percent of the black leaders believe blacks are going backwards; 66 percent of the rank-and-file believe they are making progress.
- 68 percent of the leaders call themselves liberal; only 27 percent of the public accept that label.
- 52 percent of the rank-and-file believe that the black leaders seen on television speak for the majority of blacks; 48 percent disagree.

In a display of breathtaking arrogance, NAACP Executive Director Benjamin L. Hooks explained away the results. He told *Human Events* that he "distrusts" such public opinion polls because "the average man-on-the-street, white or black, wants to appear to be fair. He responds to what the question says. Black leaders are more likely to respond to what the question means." Hooks doubtless believes that the average black man-on-the-street also misunderstood the questions put to him by a recent CBS News–New York Times poll that discovered that President Reagan's approval rating among black Americans has nearly trebled—from 10 percent to 28 percent—since 1982.

Could black voters, long the most reliable constituent of the Democratic Party, be looking for an alternative? Perhaps. Significantly, pollsters found the president's highest approval rating (33 percent) coming from those 18-29 years old—the age group where the president does best among white voters as well. Young voters of both races are most attracted by the president's jaunty self-confidence and his rhetoric of enterprise and opportunity, an indication that the future may lie with politicians who advocate a buoyant individualism.

Establishment black leaders can be expected to jealously guard their privileged positions and discourage open debate on "black issues," no matter what the polls say. But the stark differences of opinion between self-appointed leaders and their putative flock should encourage vigorous challenges to those who popular TV talk-show host

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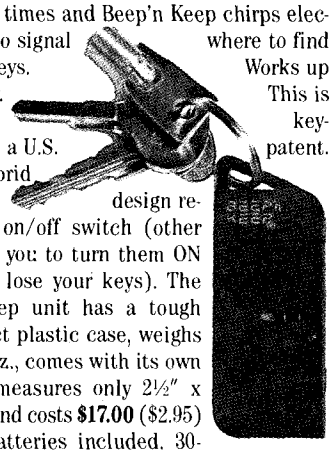

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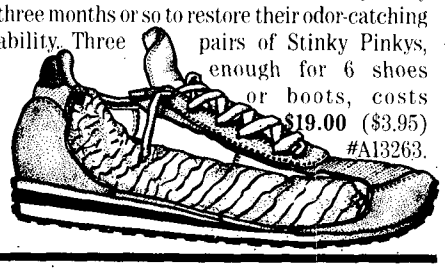

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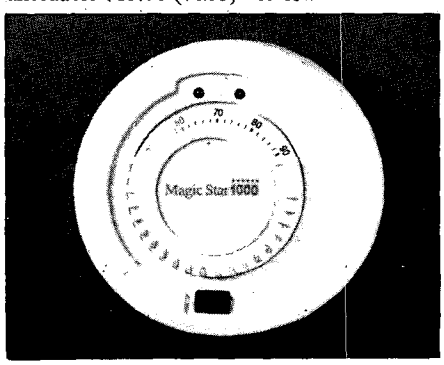

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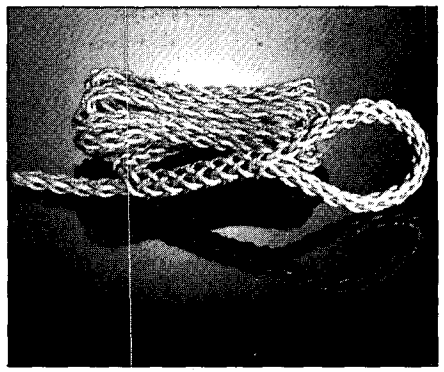

There is a lot of folk lore — none of it true — about snakes that swallow their tails, but here's a rope that actually turns the trick. Just thread the end back through the rope at what ever point you want to secure it and pull tight. The more pressure the tighter the grip. There you have it — a rope that ties without knots! Nothing could be easier, more reliable or versatile. Light duty Python Rope comes in 28′ length that will suspend up to 1000# for **$12.00** ($2.95) #A1506. Heavy-duty Python Rope comes in 11½′ length with suspension strength of 3000# for **$12.00** ($2.95) #A1507. Both are made of rot-proof high-density polyethylend for a lifetime of rugged service.

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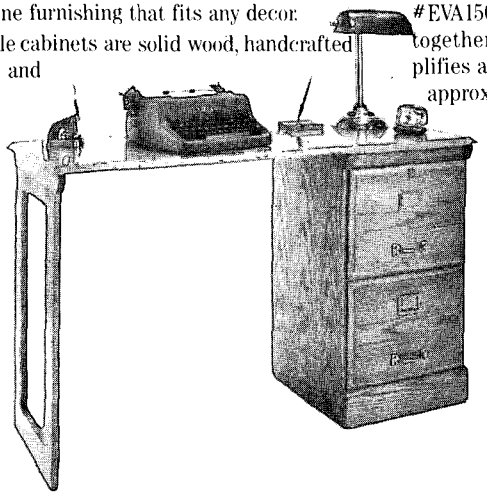

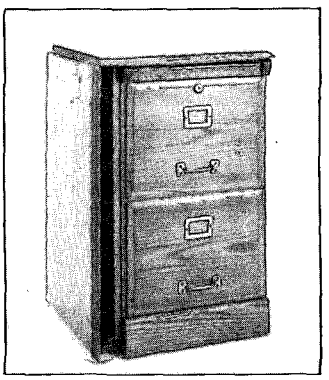

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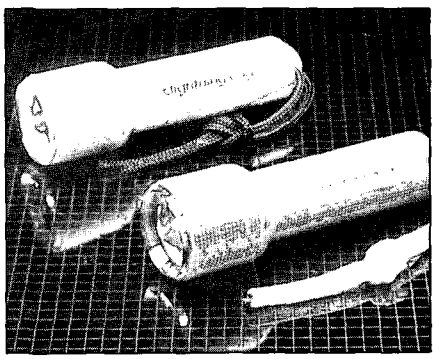

A sage once observed that it is impossible to have *too many* flashlights. We agree, especially when the lights are as fun, colorful and convenient as these little Lightning Bugs from Sassafras. Stick them in the glove compartments of your cars, in kitchen drawers, in hallway tables, in your favorite hiking jacket. Give them to the kids for both play and protection. They throw out an amazing amount of light (1600 candlepower) despite weighing under 2 oz. and measuring only 4″ long. They are totally waterproof (to 2,000′!) and the bright ABS case is virtually indestructible. Uses standard #222 bulb and two alkaline N cells (not included). The Lightning Bugs are available in sets of two, one yellow and one blue, for **$12.00** ($2.95) #A1424. A set of 4 batteries, enough for both flashlights, is available for **$3.00** ($1.95) #A1425.

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trends

Tony Brown calls "black people who represent white interests in the name of leading black people."

Rethinking "Strategic Reasons" for Supporting South Africa

What would happen if the US supply of "strategic materials" were disrupted? South Africa, for example, is a major supplier of substances used in manufacturing and the production of weapons. Suppose a Soviet-aligned government took over in South Africa and cut off the West's supply of chromium, a metal critical to the manufacture of stainless steel and other products? It has long been argued that such disruptions would be so calamitous that the US government must continue to support the present government in South Africa in spite of its policy of apartheid. South African president P. W. Botha, trying to capitalize on that fear to scare up support for his racist regime, threateningly claims that he could destroy 1 million US jobs by cutting off chromium exports to the United States.

But now a team of materials-sciences researchers at the Massachusetts Institute of Technology has raised questions about the premise of this strategic-materials argument. Led by Joel Clark and Frank Field, the group published their analysis last fall in *Technology Review* magazine. "In our view," they wrote, "the United States is needlessly concerned about the future availability of critical materials." Their optimism comes from looking at the market.

The first effect of disruptions in supplies would be price rises, signaling the new scarcity of the materials. And price rises, noted the researchers, "will automatically lead to conservation and recycling (a drop in demand), and to a much-expanded effort to develop alternative materials." In the case of chromium, for example, "there are significant opportunities for 'secondary substi-

global trends

First-Rate Progress in the Third World

SANTA BARBARA, CALIF.—Are Third World countries reading REASON? They've caught on to one of our favorite trends: privatization. The *Financial Times* of London reported recently that dozens of state-owned enterprises in developing countries have been sold to the private sector, and many more are on the auction block. Bangladesh has denationalized almost 100 companies, and Pakistan has sold about 2,000 grain and cotton mills. Jamaica has turned most of its sugar-refining and hotel interests over to the private sector, while Brazil has earmarked 77 companies for privatization. Mexico, Peru, Argentina, Thailand, and Malaysia reportedly may follow suit.

What's behind all this? Governments' tills are empty. State-owned enterprises typically require substantial external financing, straining the resources of Third World countries. A 1983 World Bank study of 27 countries found that net budgetary payments to these enterprises averaged a hefty 3 percent of the countries' total economic activity (gross domestic product).

For years, Western governments and banks have supported this inefficiency with aid and loans. But recent financial worries have such sources of security scrutinizing the flow of money, as they ponder statistics like this: in 1983, according to the World Bank report, a mere 5 percent increase in state enterprise revenues and a 5 percent reduction in costs would have been sufficient to fund all of Tanzania's spending on health, and *twice* Mali's health spending.

The financial bind is only part of the story. Ill effects at home are increasingly recognized as well. Corruption is rampant, and many public enterprises have become "employment agencies" for the better-connected, swelling the public payrolls but engaging large numbers of people in unproductive activities. "Even the socialists in the development community admit that they failed to foresee the consequences of concentrating excessive resources in the public sectors," observed the *Times*.

Elliot Berg, senior privatization consultant to both the World Bank and the International Monetary Fund, notes that widespread sanctions against private competitors exacerbate the economic costs of inefficient state enterprises. By preventing private entrepreneurs from participating in key sectors of the economy, these governments prevent people from building their own enterprises and thereby helping themselves.

The World Bank and the US Agency for International Development have identified marketing, agricultural services, and transportation as the sectors where individual entrepreneurs would benefit most from being allowed to compete. The *Financial Times* added that "the abolition of state monopolies over agricultural marketing in many African countries is a key element in almost all modern prescriptions for economic revival."

Experience supports these claims. Legalized private minibuses in Nairobi have improved both the quality and the financial condition of public transport. Private truckers in Tanzania similarly proved to be more efficient than their state competitors.

One World Bank official was prompted to challenge the "ridiculous myth that there are no entrepreneurs in Third World countries." Observing that "entrepreneurs go where the action is," he predicted that "pretty soon there'll be one hell of an entrepreneurial explosion in the private sectors of many developing countries."

Spaghetti Socialism

ROME—It would be surprising if, while governments all over the world are being forced to change their attitudes toward the welfare

(Continued on page 20)

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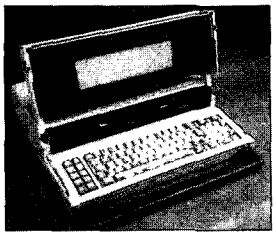

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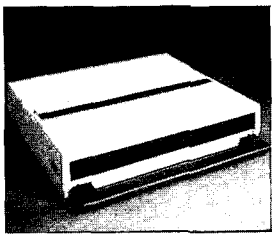

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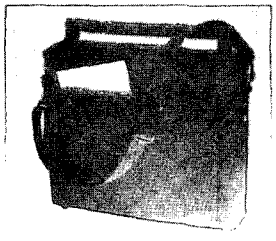

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trends

tution'—eliminating stainless steel entirely and using other steels of lower chromium content." The researchers estimated that "a 50 percent increase in the price of stainless steel would result in an overall decrease in chromium consumption of 25 percent after one year and 35 percent after four years."

With other critical materials (among them manganese, cobalt, and platinum), decreased availability and resulting higher prices would similarly stimulate both conservation and the use of substitutes. Already, scientists are developing an impressive array of substances that can replace critical materials in many applications, including ceramics, plastics, and composites. Moreover, if prices of critical materials stayed high because of protracted shortages, this would stimulate the search for supplies that are now too expensive to exploit. Large deposits of manganese, for instance, lie on the ocean floor but are currently uneconomical to mine—at higher prices, that may change.

The MIT researchers base their claims not only on market theory but on precedent. As a result of civil disorder in Zaire, for example, the price of cobalt increased dramatically from 1978 to 1980, and, they noted, "consumption dropped sharply." Cobalt users turned to alternative materials, while "other sources increased supplies, forcing Zaire to lower its set price from $55 per kilogram to less than $22 per kilogram." In little time the price had dropped to $11 per kilogram.

Even when countries deliberately try to cut off another country from a supply of some critical material, the MIT researchers noted, the tactic rarely works. They cited, for example, the failure of the Arab nations when they tried to choke off oil exports to developed countries in the early 1970s to protest Western support for Israel. And when Rhodesia cut off its chromium exports to the United States in the late 1960s, "we simply purchased it from South Africa, which continued to buy the ore from Rhodesia." The reality is that any commodity that makes its way into the world market is available to any nation that wants to buy it.

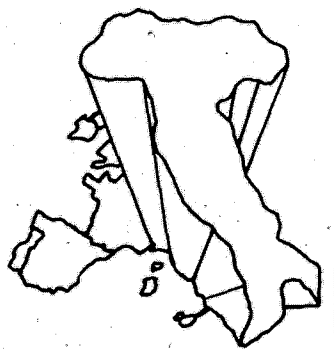
So at least on this count, Americans can rest easy

global trends

(Continued from page 18)

state, the Italian government refused to reconsider its policies. The irony is that the reconsideration of Italy's system of government intervention and welfarism has been done during the tenure of the first Socialist prime minister in Italian history. Those who remember the political platform of the Italian Socialist Party in the recent past—in 1963 they happily declared their intention to nationalize everything, with the possible exception of barbershops—will appreciate the magnitude of the change.

Here are a few examples. Prime Minister Bettino Craxi's government has gradually relaxed some of the restrictions on foreign exchange. Italians are now allowed to use their credit cards abroad without obtaining permission from the foreign exchange office. The amount of cash that Italians may use for tourism has been substantially increased, as has the ceiling on total yearly spending abroad. Though the remaining restrictions would still be considered intolerable



in most Western countries, progress has been made.

In the matter of taxation, Minister of Industry Renato Altissimo has succeeded in securing tax exemption for reinvested profits in order to stimulate investments. And the minister of finance has promised to revise the tax structure, which should simplify the tax code and reduce rates across the board.

But the most significant change has been in the area of social welfare. Socialist Minister of Labor and Social Security Gianni De Michelis has proposed to trim the welfare state by introducing means tests.

This is a drastic departure from the regnant philosophy of a few years ago, when the universality of state welfare enjoyed the status of dogma and was not to be questioned. Experience has forced the Socialists to rethink their position: the national health service, which was introduced in 1980, has proved to be such a failure—"the scandal of the century," according to the leftist weekly *Espresso*—that everyone agrees on the need for some reform. Something must be done about a system that costs Italian taxpayers over $20 billion a year and provides service that's so poor that more than half the population ignores it and opts for private medical care.

De Michelis's solution: to replace the present arrangement with a three-tiered system that provides full benefits for families with incomes under $7,000 a year, partial benefits for those earning between $7,000 and $14,000 a year, and nothing for those earning more than $14,000.

The catch is that De Michelis's proposed reform does not include any plan for cutting down the number of state welfare bureaucrats. The result might be that we'll have a system serving a fraction of the total population but still employing a gigantic bureaucracy.

Despite these inconsistencies, the important fact is that many former advocates of statism are recognizing that we should move towards a society based on *meno stato e piu mercato* (less government, more market). Only time will tell whether these admirable intentions will be followed by equally admirable results.

—Antonio Martino

Global Roundup

■ *Reds like green.* The newspaper of the Italian Communist Party, *L'Unita*, has broken down and begun publishing the daily report from the Milan stock exchange. Financial Editor Renzo Stefanelli says defensively: the paper is simply giving its readers, who include "many executives in private business," what they want.

about letting the South Africans resolve their differences without the weight of the US government on one side or the other.

Shaming the Post Office (Again)

If American Discount Stamps (ADS) succeeds, you'll soon be able to purchase a 22-cent stamp for 17 cents. And that's just one of the new varieties of de facto competition with the government's monopoly on postal service.

Houston-based ADS announced this fall that they would be affixing 22-cent regulation postage stamps to the corners of two-by-three-inch postage stickers and selling them for 17 cents, making up the difference by selling advertising on the rest of the space on the stickers. Consumers can use the stickers in place of regular stamps.

In addition to getting a bargain, purchasers of these stamps-cum-stickers will no longer have to bear the long lines, business hours, and sometimes curt personnel of the US Postal Service. Instead, they'll be able to buy stamps at such outlets as their nearest McDonald's or 7-Eleven. The company's plans call for marketing its product in convenience stores, supermarkets, fast-food eateries, and other retail chains (which will pay ADS for the right to sell them). By January, an ADS spokesman told REASON, the stamps will be on sale nationwide.

Investors in the company consulted lawyers and postal officials about the legality of their venture. Kenneth Youngchild, who has put over $1 million into the venture, told the *Christian Science Monitor*, "there is nothing in the postal regulations that says you can't do it. Believe me, we did a lot of research before making this investment."

Stamping out monopoly?

Meanwhile, private mail services are also competing with the USPS through the foreign-mail back door. *Venture* magazine reported recently on AEROMAIL, Inc., one of "a growing number of foreign mail services." For $7-10 a pound, it will pick up customers' foreign mail, sort it by destination country, apply that country's postage, and then deliver it to the local postal system. Offering a 10-30 percent savings over the USPS, AEROMAIL did some $12 million in business in 1985.

If private entrepreneurs can sell 22-cent stamps for 17 cents and deliver mail between countries for a bargain . . . what next?

The Pittsburgh Cowboys? New York Dodgers? Philadelphia Bills? Not Necessarily

Ever since leather-jacketed owner Al Davis of the Oakland Raiders football team packed his bags and scooted his club off to the wealthier environs of Los Angeles, sports fans around the country have been beset by nagging fears that perhaps their team will be next to abandon ship. Several bills have even been introduced in Congress to prevent hard-hearted owners from moving their teams on a whim or caprice.

But a pathbreaking new study done by Pepperdine University assistant professor Dean Baim for the Chicago-based Heartland Institute suggests that fans have little to fear—so long as the home team plays in a privately owned stadium. Baim examined the 96 arenas and stadiums that have housed major league baseball, football, basketball, and hockey teams over the last 32 years. His conclusion—private facilities are less expensive to construct, provide better amenities such as parking, are used more frequently, and are deserted by their tenants much less often than public fields and arenas.

The hard, cold numbers: The average inflation-adjusted cost per seat in constructing a private hockey or basketball arena is $1,333—for a publicly constructed arena, $1,946. When it comes to baseball or football stadiums, the cost difference is dramatic—$422 per seat if done privately, versus $1,023 at public expense.

Private arenas do a good job of spreading the cost over many users, hiring out the facility to numerous groups. Baim found that on average, a private arena is used 254 days a year; a public arena, 197. And while just 26 percent of the public stadiums have "acceptable" parking, 62 percent of private stadiums do.

Of paramount interest to die-hard sports fans is Baim's finding that "in the last 15 years there have been 22 franchise moves in the established major leagues. Of these, only two (the Cincinnati Royals' move to Kansas City and the Seattle Pilots' move to Milwaukee) involve a team leaving a privately owned facility." He opines that the economic ties that bind teams in privately owned stadiums to their host cities are far stronger than for teams that use public facilities; thus, the incentives to keep the team put are much greater.

Baim's findings should give pause to local politicians and "civic boosters" trying to convince taxpayers to ante up for expensive new municipally built sports facilities. Better to leave the construction and operation to private enterprise—it's cheaper and more efficient, and odds are that the team will still be around if you want to take your grandkids to the ballpark.

Milestones

■ *Nightmare on Monopoly Street.* Massachusetts regulators are allowing phone companies to compete for service *within* area codes, starting December 1, 1986. The Tax-Me state joins New York, Virginia, Texas, and others in permitting phone competition.

■ *Spirited veto.* California Gov. George Deukmejian has vetoed legislation that would have outlawed the state's "gray market" in European wines. Gray marketeers buy fine wines at retail prices in Europe, ship them stateside, and sell them for less than the "official" wine importers do. The Duke's veto came in spite of severe protectionist pressure from big-business importers such as Seagrams and Schieffelin.

—Robert W. Poole, Jr., Lucy Braun, Bill Kauffman, and Eric Martí

Photographs by George T. Kruse

Eldridge Cleaver

The Black Panthers scared the hell out of America in the 1960s. Emerging from the ghettos of Oakland, they scorned the establishment black leadership as Uncle Toms and took to the streets demanding "total liberty for black people or total destruction for America," in the words of Minister of Information Eldridge Cleaver.

In and out of reform schools and prisons since the age of 13 and an avowed "insurrectionary" rapist, Cleaver discovered radical politics and a flair for writing in Folsom Prison. Upon his release in 1966 he joined the fledgling Black Panther Party and started writing for the monthly Ramparts.

Cleaver burst upon the national scene in 1968 with the publication of Soul on Ice, *a collection of his prison writings. Hip, revolutionary, and teeming with hatred for "everything American—including baseball and hot dogs,"* Soul on Ice *became the Bible of Black Power and Eldridge Cleaver the intellectuals' favorite black radical.*

The Black Panthers' early rhetoric had been decentralist, but the organization soon degenerated into Maoist politics and senseless violence. On April 6, 1968, Cleaver participated in a shootout with Oakland police—'60s legend has it that three carloads of Panthers were ambushed while Cleaver was urinating in a side street—in which 17-year-old Black Panther Bobby Hutton was killed. (Cleaver offers a different version of these events below.)

To avoid being sent back to prison for his part in the Hutton shootout, Cleaver skipped the country, taking refuge in Cuba. He spent the next seven years wandering through the communist world, with sojourns in Algeria, North Korea, China, and the Soviet Union before finally settling in France. But in 1975, homesick and deeply disillusioned with revolutionary politics, Eldridge Cleaver came home. "Pig power in America was infuriating," he wrote upon his return. "But pig power in the communist framework was awesome and unaccountable."

The repatriated Cleaver was denounced by his former comrades as an apostate, a turncoat, even an FBI informer. His conversion to Christianity and anticommunist pronouncements combined to give him a right-wing reputation—a reputation, as this interview makes clear, that is a far cry from the truth.

Eldridge Cleaver lives today in a modest apartment in Berkeley, California, where he is hard at work writing a history of the '60s. A large American flag flies from his front porch. His wife, Kathleen, his partner in exile, is a student at Yale Law School in New Haven, Connecticut, where she lives with the couple's children, Joju and Maceo.

Eldridge Cleaver was interviewed at his Berkeley apartment by REASON *editors Bill Kauffman and Lynn Scarlett.*

Reason: What do you think is the legacy of the 1960s? Was it a positive period?

Cleaver: Well, overall, I would have to say there is a lot of positive. There is a lot of negative, also. You have three things going on—a cultural revolution, the antiwar movement, and also the black liberation movement—and they were a mix, but America has been completely transformed because of them. We've gotten rid of the system of segregation, and that's a plus for America. We've gone down the road to completely demolishing that whole mentality. And the war is no longer with us in Vietnam. So I think there are some pluses.

The minuses that I see—I think we went overboard ideologically. I live here in Berkeley where my old comrades are now in power, and I find myself struggling against them. And this is the legacy, that the left became so ideologically attached to anti-Americanism and pro-communism and Third Worldism that I believe that we have a problem on our hands.

Reason: How do you look back on your Black Panther days?

Cleaver: With amazement. I am writing a history of what I call "the domestic wars." It's a history of the whole movement that we've been talking about. And I am impressed by certain things, such as the small number of people who were killed in that transformation that took place starting with the civil-rights deci-

sion by the Supreme Court in 1954. It was a very economical process in terms of blood being spilled.

I learned during the period in the Black Panther Party that in America one bullet fired really has the impact that large-scale battles have abroad. It has to do with the diffusion of information; magnified through the media, one bullet is like a whole fusillade. So an incident can take place where there is a little shooting, and it was as though the whole country participated, and people drew lessons or reacted or made decisions not only in the locality where the shooting took place but throughout the country.

The process was confrontational, it was frightening, it was terrible; but in the final analysis I think it is amazing that America had that ability to jettison structures that were demonstrably untenable and, you know, to walk away from some of those traditions.

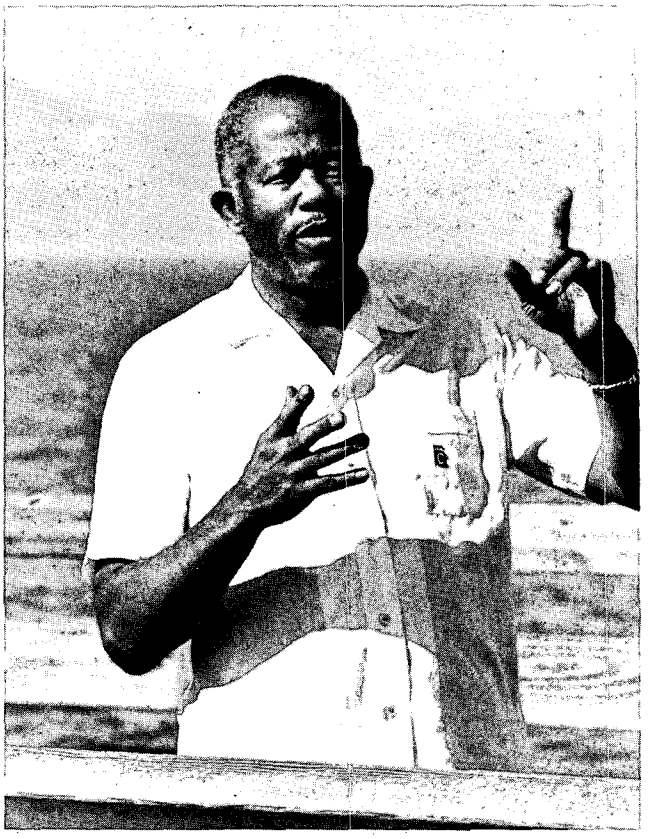
I myself really used to be obsessed with—I used to really plan on how to kill Ronald Reagan. I'm talking about hatred, hatred that was blind to any other influence. I don't have that hatred any more. I've had opportunities to kill Ronald Reagan going around the country, and it never occurred to me to do that. And knowing my own heart and how I've walked away from hatred, I think other people have done the same thing. This is the hopeful thing, and I think that people all over the world can do the same thing.

Reason: Did the Panthers try to provoke violence? Was that part of the strategy?

Cleaver: Sure it was part of the strategy. It was using the theories of revolutionary violence. A lot of people don't like to give us credit, but in America you had some of the best-educated revolutionaries in the world—even better-educated than some successful revolutionaries in other countries. We studied the experiences of these other countries and we knew the theories of guerrilla warfare and Marxism and Leninism and people's war, and we definitely were not sitting back waiting for the authorities to attack us. We used to lie about it, because the information was a weapon also. We would go out and ambush cops, but if we got caught we would blame it on them and claim innocence. I did that personally in the case I was involved in.

Reason: The Bobby Hutton case?

Cleaver: Yes. We went after the cops that night, but when we got caught we said they came after us. We always did that. When you talk about the legacy of the '60s, that's one legacy. That's what I try to address, because it helped to distort the image of the police, but I've come to the point where I realize that our police department is necessary.



"If you are being oppressed and you can't feed your children, you get so angry you want to kill whoever is in power, and you don't see that the guy giving you the gun is also putting a chain around your leg."

Reason: I just read *Soul on Fire*, your 1978 book, and the police seemed terribly abusive and violent nonetheless. I mean, even if they were...

Cleaver: Sure they were abusive and violent. They were murderers. And they still are. But policemen are like dogs on a leash. I'm not saying this to put them down, but you take the leash off a dog and it sics you, and that dog is going to bite if it is an obedient dog. The police function under political direction. They go after whoever they are sent after, and *that's* where the problem comes in.

Now we had a situation where we are dealing with a tradition—black people were moving out of their traditional position in America. Nobody knew what to do about it. The white politicians were confused, the blacks were confused. We didn't know exactly how to go about it. And the police were told to go out, stop those civil-rights marches, scare those people, terrorize them, beat them, use cattle prods, use this and that, and they went out and did that. When you talk to police now who participated in that, you find out that they were in the same position we were in—just trying to find the right formula.

Reason: So are you saying that in a sense their position vis-à-vis the Black Panthers was justified?

Cleaver: I'm not saying justified. I'm just saying that part of the attitude was traditional—"Keep these niggers in their place." They were functioning under orders, they were also humans. You can condemn the tradition, you can condemn the excesses. But when we have no axe to grind, we are just trying to understand, we are looking at human beings.

Reason: The nation's top cop, J. Edgar Hoover, seemed to be obsessed with the threat the Panthers posed to law and order. Do you understand him in the same way?

Cleaver: Sure I can understand J. Edgar Hoover, because he wasn't inaccurate. We were the most militant black organization, and we were serious in what we were going about. He said that we were the main threat. We were *trying* to be the main threat. We were trying to be the vanguard organization. J. Edgar Hoover was an adversary, but he had good information. We were plugged into all of the revolutionary groups in America, plus those abroad. We were working hand-in-hand with communist parties here and around the world, and he knew that. So from his position, he had to try to stop us.

Reason: A lot of the Panthers seem to

be, personally, pretty strong individualists, like you, and yet you espoused revolutionary socialism, collectivism. Did you notice the inconsistencies?

Cleaver: At the time I didn't notice it. It's one thing to study Marxism on paper, living in a capitalistic country where you have individual freedoms and so forth—you don't really see the relationship between the ideology and the form of government that comes out of that ideology. Now, when I had a chance to go and live in communist countries, this individualism came into conflict with the state apparatus, and that's when I recoiled against it. But when I was here, I was looking at Marxism-Leninism as a weapon, as a tool, to fight against the status quo, and you know, it's just a quality of human beings that when they are trying to tear something down they don't pay enough attention.

Just like in South Africa right now. They went to visit Nelson Mandela, and they asked him, "Would you prefer apartheid to communism?" And his attitude was, Communism is better than apartheid. Because apartheid has him in prison and has had him in prison for 20 years. Well, you get a guy in a communist country who has been in prison *there* for 20 years, and he will tell you, "I would rather live under apartheid," because he could leave. But the truth is that any form of constraint on our freedoms is not acceptable.

Reason: There is an interesting debate going on today, with economists and social scientists like Thomas Sowell, Charles Murray, and Walter Williams arguing that government welfare programs actually hurt the people they're intended to help. What do you think?

Cleaver: I've come to basically those same conclusions. My life, I think, spans the whole era of the welfare state. I was born in 1935. I remember when people were ashamed to be on welfare and to receive state aid and all that, but we've developed a situation where black people to a large degree and a lot of other groups such as elderly people, children, and a lot of poor white people ended up being harnessed by political forces, particularly the Democratic Party. In return for the federal appropriations that we are now dependent upon, our leaders were obligated to get out the black vote for the Democratic Party. So this put us in a negative relationship with the economic system. We were dependent upon the federal budget—a very precarious situation, because when the political winds change, we get our living cut off.

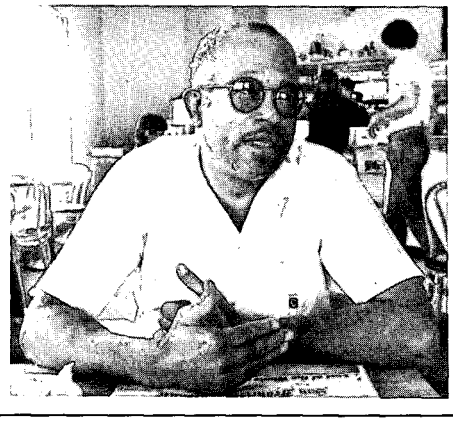
Reason: How do you break that dependence? Something like 90 percent of blacks voted for Mondale.

Cleaver: Ninety percent of *voting* blacks. A majority of the black people didn't participate in the election and never have. But I think that the only way to break the cycle is to give—not give, but make it possible for black people to have a stake in the economic system, where they earn wages, salaries, interest, and dividends. This is the only way you can break that. You're not going to pull your living out of the air. If you can't get your living through participation in the production process, then you are going into dependency on the consumption process. I would like to see black people flood into the productive process.

Reason: Are problems of poverty things that the government can solve, or do they have answers elsewhere, through different institutions or the private sector?

Cleaver: It would have to be the private sector. But at the point where we are right now, the government can't just bow out. This is one of the problems Reagan had. He scared the hell out of people because he started cutting programs, but he didn't spend enough time talking to people about how to replace them. So people had this idea that he was just throwing them aside.

"Knowing my own heart and how I've walked away from hatred, I think other people have done the same thing. This is the hopeful thing."



What we have to do is organize people in free institutions that can put them to work, and then they can draw their living out of our economy, not out of the federal treasury. Because the federal treasury doesn't produce anything. It gets what it has out of the private sector.

We need entities where people could belong to organizations that are not controlled by government. The organizations could come up with projects that would benefit society and then they could earn money that would come out of that national product and not filter through the state. If we do it through the state like, say, President Roosevelt did it with the New Deal, you augment the power of the state. But if you do it through decentralized structures that are controlled by the people, then we maintain our freedom, within a free institution. I don't want to see the government get control of the economic system as a whole and the livelihood of all the people, because I have seen that, and it's a no-no.

Reason: Aren't private ventures of this sort what people like Muslim dissident leader Louis Farrakhan are after? What do you think of Farrakhan?

Cleaver: I know Farrakhan. You know, he taps a deep chord among the people because people want to be involved in some enterprise, they want to have money that they can control and get some benefit out of, something that the government doesn't control. The same activity that Farrakhan is talking about doing could be funded in other ways. But because we don't have any provision for that, he goes to Qaddafi. The problem with that is that Qaddafi is not giving away anything. He has some strings attached.

Reason: Is Farrakhan a dangerous man because of his Qaddafi connection?

Cleaver: Certainly he's a dangerous man, because he will do things for them—intelligence things, but also military things.

Reason: When you were living in exile in Cuba and Algeria, what was it that started to make you rethink your view of them and their government?

Cleaver: I had a great burning desire to help enlarge human freedom and no desire at all to increase human misery or totalitarianism, so I stood up in America to fight against what I saw as the evils of our system. Then to go to a country like Cuba or Algeria or the Soviet Union and see the nature of control that those state apparatuses had over the people—it was shocking to me. I didn't want to believe it, because it meant that the politics that I

was espousing was wrong and was leading toward a very bad situation. So, I tried to figure out what was wrong.

You know, the communists teach you that the dictatorship is a transient phase—that once capitalism is eliminated, then the state will wither away and you will have freedom. Well, when you look at those governments up close and see how they treat their own people, you can't believe in that. You see that people are using that preachment of the withering away of the state as their excuse to justify their own dictatorial power. The way that the goods and services of the economy are distributed, the way that the power mechanism is organized and the monopoly on power by the Communist Party, the control of the Communist Party apparatus by an elite—these things struck me as dangerous. And then when I had a chance to get to know people and see what the experiences had been in these countries since their revolutions, it made me realize that a new form, a worse form, of totalitarianism was creeping into the world and that it was necessary to sound an alarm against it, stand up and protest it—without sugar-coating anything that's wrong over here.

That's been the mistake made by a lot of people in assessing what I have said. I have never intended to say that we can rest on our laurels or we can stay right where we are. But I wanted to point out that we had better be careful where we jump when we jump out of the frying pan.

Reason: A lot of American intellectuals have gone, say, to the Soviet Union or China and come back full of praises. What you saw in Cuba, Algeria, China, or the Soviet Union, somehow they just overlooked. Do you think it's because usually these things are short, they just scurry right through? Or what was it that made you able to perceive...

Cleaver: It was exactly that—the shortness of it, the duration of their experience and the depth and quality of it. See, I *lived* in those kinds of places and I got to know people and made friends. I got to know the governments, the people in the military, people in the Communist Party or whatever they called it. That gives you a different perspective.

When I first went to those countries, boy was I impressed. If you would read some of the things I wrote then! I was full of praise, because I got that standard tour that they give people to impress them. I took the same tour that Barbara Walters took in Cuba, and Senator [George] McGovern, but after the tour I had a chance to meet other people and have a different experience. If I had gone only on the basis of how the governments treated *me*, I would have continued praising them, because really they did treat me well. They gave me a red-carpet treatment in those countries. But when you get off the red carpet and step down in the mud where the people are, you get a chance to talk to them and hear the stories that they have to tell, over and over again.

"To go to a country like Cuba or Algeria and see the nature of control that those state apparatuses had over the people—it was shocking to me. I didn't want to believe it."

I lived out there for eight years. I lived in Cuba, I lived in Algeria, and I lived in France. I traveled throughout Africa, throughout the Communist world, and I had a chance to be a part of different cliques, and I got all of their criticisms of the other groups. When you get a chance to see behind the scenes, behind the rhetoric of international solidarity and world revolution and all of that, there is naked national self-interest. You see the Soviet Union jockeying for power against China. You see the Koreans and Vietnamese trying to stay out of the clutches of both of them. And you begin to develop a little realism or cynicism.

Reason: In your book *Soul on Fire* you say that of all the communist groups you associated with, it was the North Vietnamese that you most liked and felt were more akin to what the ideology seemed like it should be.

Cleaver: Yes. You could sympathize with them, because they were struggling against the Soviet Union and China trying to dominate them, and they were also struggling against Chinese racism. So they had an antiracist attitude, and they had an anti-big-power attitude. When we went to Hanoi and started talking about their problems, they started with the Chinese. They regarded America as a small interlude—they had been struggling against the Chinese for thousands of years. They would ask us to say things in international forums, things that they couldn't say. They would ask us to criticize the Soviet Union and the Chinese because they have tried to control them. So there was a real sympathetic vibration that I felt. If you could eliminate the war against America you still could sympathize with them, because of the other plight that they were in. People called them the niggers of Asia.

Reason: Many conservatives now call the Vietnam war a noble cause. You opposed it then. In retrospect do you feel it was a noble cause?

Cleaver: I think the idea of stopping communism is a noble cause. However, I

don't agree with the way we go about doing it. The old thing that Lenin said about communists being able to buy their ropes from the capitalists with which to hang the capitalists—this is something I have thought about for a long time. Conservatives often talk about this and try to have boycotts and cut off trade. But the way to destroy communism is through our technology and through open trade. It is hopeless to try to get businessmen to stop trading and not make a buck. If they can't do it legally, they are going to do it illegally. It's just like the drug traffic. So my disappointment and my disagreement with conservatives is that they are forced into a position of hypocrisy.

Reason: What do you think about intervention abroad—for example, in Central America? Do you think intervention in other people's civil wars and struggles can stop the march of communism, or is that wasted energy and also perhaps wrong?

Cleaver: The way we do it is wrong, because from Chiang Kai-shek down to Somoza we have been losing. How is it that such a powerful country can be defeated like this? It has to do with a mixture of motivation. No one talks, say, about the real ideological basis of the Monroe Doctrine. It was not meant as a bully doctrine to keep these guys under our boot heel. The Monroe Doctrine in its inception grew out of a vision of the unity of the Western Hemisphere, and we didn't want these other powers coming in because they would frustrate that unity. Simón Bolivar and all these people, too, wanted to unite Latin America or South America, and on that basis the Monroe Doctrine made sense. But it turned into a bully doctrine.

We need to revive that attitude of uniting the Western Hemisphere and keeping other powers out. The Soviet Union has penetrated this hemisphere, and as long as we deal with it as we are now dealing with it, we are delivering it to them. So I am not for intervention with the same old mix, because it just gets a lot of people killed. I think that ideology is primary. The armies of communism are the instruments of the ideology and not vice versa.

Reason: Are you saying that we should use the ideology of freedom, always intervening in support of people who are fighting against totalitarianism but with the voice of liberty and freedom and human rights?

Cleaver: *Sincere* freedom—not to try to replace Somoza with another culprit, you see, but to really help those people develop their lives and their economy and their political and institutional freedom.

"I have never intended to say that we can rest on our laurels. But I wanted to point out that we had better be careful where we jump when we jump out of the frying pan."

Reason: The way they choose?

Cleaver: They would choose to do it in the classical model of free institutions. Nobody *chooses* slavery. But they get pushed into these positions, because here we are offering the status quo and the communists are offering guns. If you are being oppressed and you can't feed your children, you get so angry that you want to kill whoever is in power, and what you don't see is that the guy giving you the gun is also putting a chain around your leg. You will see it later, but then it will be too late.

We are in a position where everything gets filtered through this confrontation that we have with the communists. And what happens is the communists are able to get the best of all the arguments. Right now in South Africa they get the best of the argument because they stand up and support the people. I am incensed with Jessie Jackson and Jerry Falwell. This shouldn't be a black versus white issue—not for the American people. We should have an *American* attitude toward that situation, and then I think we would come down on the side of freedom. But to be arguing in favor of the South African government leaves the Soviet Union to support the people over there, and they win the favor not only of the majority of the people of South Africa but of all of Africa, all of the Third World, and even the majority of the American people. It is really very blind and ignorant.

Reason: You spent a number of years in prison in the United States, and in *Soul on Fire* you mention how tormenting that experience is. Does prison have any useful function?

Cleaver: Prisons are necessary because we have to be able to isolate certain kinds of behavior. If we can't get people to behave in a social manner, we can't let them run amok and harm other people. But I think what we have in this country right now is a total breakdown in the whole concept of penology. It has to do with the death penalty. Now imprisonment, first of all, is isolation. It's increasingly severe measures of isolation, all the way down to solitary confinement, death row, and the ultimate isolation, death. So the death penalty is a spearhead of this whole thing. But what we have done is lop off the spearhead, you see, by getting rid of the death penalty, and so the tension in the whole penal code is removed. Because people don't fear it.

Reason: You said in one of your books that in order to be rehabilitated in prison, your personality has to be destroyed. Was your personality destroyed? Why don't you commit crimes any more?

Cleaver: It's a process of education. I think no one should be let out of prison if they don't admit what they did. Because that's where the process of rehabilitation starts, with the person recognizing what they did was wrong. I used to do things and never would admit that it was wrong. I always thought I was justified in doing these things. As long as I felt that way, nothing could penetrate me. But what I did, those rapes—okay, I didn't get sent to prison for that, I beat it in court. But it was in my own heart of hearts, when I confronted my own behavior, that I admitted that that's not right. That's the beginning of rehabilitation.

Reason: Do you look at the Eldridge Cleaver who committed rapes as a different person?

Cleaver: Not really. I can't say a different person, because there is a continuity. I could even say I committed worse crimes against women after getting out of prison than before I went in. Not that I raped them, but I became more skillful in manipulating them. I think what changed me was getting married and having children. That may be the best rehabilitation of all, yet there are married people with children in prison, too, so it's the individual case. You've got to transform that person's value system and that person's attitude toward other human beings.

Reason: The prisons are largely filled with people jailed for drug-related crimes. Should those laws exist?

Cleaver: There's no doubt in my mind that our present attitude toward drugs is wrong—it's self-defeating, and it's not going to solve the problem. I would like to see the profit taken out of the drug trafficking. Otherwise we're going to be overwhelmed. We already are overwhelmed. The DEA, the Drug Enforcement Agency, already has admitted that stopping drugs at their source or in transit is a failure. So now we've adopted a catastrophic tactic in urging corporations and business entities to adopt random mandatory testing, which lets Big Brother in through the back door. We are giving the government the right to test our body fluids—it's inevitable. The government is going to have to take it over just to ensure fairness, because of the 14th Amendment. And so the same way that we got J. Edgar Hoover and the FBI out of Prohibition, we're getting what I call the Piss Police out of this whole drug situation. It's absolutely catastrophic in terms of our freedom.

Reason: Do you think that by legalizing it . . .

Cleaver: Where people could get it in drug stores and pharmacies, okay.

Reason: So it comes down to its real cost?

Cleaver: Yes, because its inflated cost is feeding a criminal culture. And because, frankly, I don't see drugs as being as bad for the individual as we make them out to be. So I would take the profit out of drugs and educate people to show them what they are doing to themselves. I started smoking weed when I was 13 years old. It's not because of the cops that I don't smoke it now. It's because I don't want to be unproductive. It's not out of fear of the cops that I don't go around snorting cocaine. It's because I don't want to be living like that. I know a lot of people who have done drugs in their life and who have quit because of the quality of their life.

Reason: What are you involved with these days?

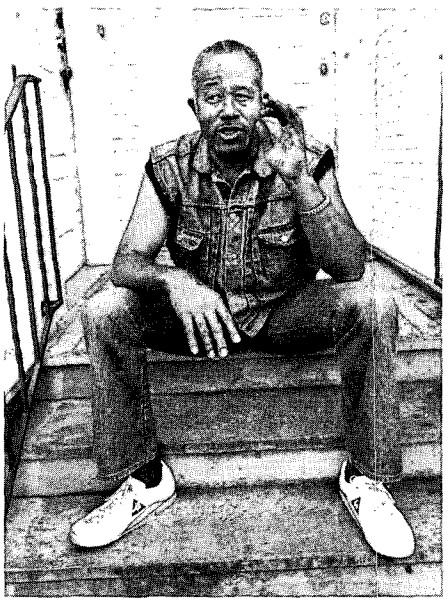
Cleaver: Mostly writing. I was involved in political campaigns around here, but my main thrust at this time is writing, and I have been doing screenplays.

Reason: Any success yet?

Cleaver: I'm waiting. I got a winner, but I haven't sold it yet. I'm looking for a good agent who can help me.

Reason: Do you see any of the other Black Panthers or contact any of them?

Cleaver: I see Huey Newton. He used to walk down this street every day at 3:45 when he was in the hospital here in one of those dry-out programs. But if you sit around up on College Avenue you can see Huey Newton every once on a while.



Reason: But you don't really . . .

Cleaver: He won't talk to me.

Reason: How about Bobby Seale?

Cleaver: I talk to Bobby Seale over the phone. And a lot of the other people who were in the Black Panther Party are all over the place, and I talk to them. We had a split in the party. People on my side of the split, I'm on good terms with. People on the other side, I'm not on good terms with, and they've gone on to other things. The Black Panther Party doesn't exist anymore—there's nobody running around talking about the Black Panther Party. But they're in other political activities. In the governments in Oakland, Los Angeles, and here in Berkeley there are a lot of ex-Black Panthers.

Reason: Have they generally pursued a socialist or leftist . . . ?

Cleaver: Anti-American kind of leftist, I call it. Really a hodgepodge ideology, because a lot of people haven't rethought it. Like Tom Hayden—when he comes up here and talks on the campus, you'd think he was still back in the '60s, yet he's on the public payroll. I did what a lot of people didn't want to do, and that is to back away from the whole mix and let the chips fall where they fall. When I first came back to America, Huey Newton was in Cuba, Bernardine Dohrn and those people were still fugitives, and they all denounced my coming back. Then, when they saw me working out my own legal problems, Huey Newton came back. The other people like Bernardine Dohrn and many others came back, but they still made the same kind of statements. Bernardine Dohrn is waiting to be admitted to the New York Bar, but you ask her what she thinks about America and she'll say nya, nya, nya. I think that's an unfortunate attitude.

Reason: In exile, you rued the fact that your son didn't play football. Does he play now?

Cleaver: He's a hell of a football player! I brainwashed him from the time he was a baby. I had a pair of football shoes that I always kept hanging in my den. These football shoes were mine at Abraham Lincoln High School in Los Angeles. I never had a chance to use them, because I got busted. But I always kept them. My son has them now, and from the time that he was first born I always talked to him about football. I think it worked. He loves football. ◧

by Marvin N. Olasky

Hornswoggled!

How Ma Bell and Chicago Ed conned our grandparents and stuck us with the bill.

Everybody loves to hate the phone company. And the electric company. And the gas company. And any other company that can act with unresponsive arrogance just because it has the government's protection as a legal monopoly. But when angry consumers and other critics call for an end to these monopolies, choruses of utility PR people and government regulators recite the same old story—once upon a time there was competition among utilities, but "the public" got fed up and demanded regulation. Again and again comes the tale: Free enterprise in utilities lost in a fair fight.

It makes a good story. But it's not true. The real story of how public-utility monopolies came to be goes like this: Early in this century, two utility executives, Theodore Vail of AT&T and Samuel Insull of Chicago Edison, saw that competition was threatening their businesses. The solution to their problems, they decided independent of one another, was to get government to guarantee their markets and protect them from competitors. To succeed, they would have to manipulate public opinion to create the impression of popular dissatisfaction with competition among utilities. Then they could persuade government to step in and set their companies up as monopolies.

Evidence of the real story behind the origin of utility regulation largely comes from hearings of the Federal Trade Commission and the Federal Communications Commission conducted during the late 1920s and 1930s, which revealed the comprehensive public-relations strategies that Vail and Insull used to support their great con games. Few scholars, it appears, have looked closely at this evidence. Yet what the actual records reveal is a fascinating tale of immense greed, masterful propaganda, and sleazy politics.

Lights Out for Competition

Samuel Insull came to the United States from England in 1881 to be Thomas Edison's secretary, then Edison's key manager and strategic planner. Edison's inventions turned dozens of industries upside down. Insull learned from him how quickly new inventions could radically alter existing patterns of commerce under conditions of free competition—and Insull was resolved not to allow competition to disrupt his plans, once he was in power.

Insull came to the city he would dominate for four decades when he took control of Chicago Edison in 1892. In his biography of Insull, historian Forrest McDonald describes how the young executive learned to play political hardball in one of the nation's major leagues, the Chicago City Council. By 1905, after merging Chicago Edison with Commonwealth Electric, Insull had gained monopoly power in the electric lighting and power business in Chicago.

Before 1905, the electricity industry was "one of full and free competition," economist Burton Behling noted in a 1938 monograph. Municipalities reserved the right to assign franchises, but "the common policy was to grant franchises to all who applied." In 1887, for instance, a single New York City Council resolution granted competitive franchises to six different electric companies. Low prices and innovative developments resulted, along with some bankruptcies and occasional disruption of service.

Once Chicago Ed was dominant, Insull increasingly emphasized the importance of avoiding disruption of electrical service and how competition supposedly contributed to the problem. Through frequent speeches, many collected in the 1915 book *Central-Station Electric Service*, he popularized anti-competition arguments. And as president of the National Electric Light Association (NELA), a major utility trade group, Insull argued that utility monopoly and "franchise security" could best be secured by the establishment of government commissions, *which would present the appearance of popular control.*

The way to sell such a plan to the public, Insull suggested, would be to emphasize the commissions' power to fix rates. He told utility owners not to worry about regulation—regulated rates might be slightly lower than those utility owners would prefer to charge, but they would be higher than what would prevail under full competition.

Insull's theory that regulation by com-

mission would benefit utilities was dead right, as economic historian Gregg Jarrell showed in a 1978 article in *The Journal of Law and Economics*. In states that led the way in regulation, Jarrell noted, utilities' prices and profits rose while their output fell. But states that continued to allow competition had lower prices for electricity. "State regulation of electric utilities," Jarrell concluded, "was primarily a proproducer policy."

Insull's real public-relations genius, however, lay in convincing the American public that state regulation was primarily a pro*consumer* policy. To accomplish that legerdemain, he masterminded specific PR strategies to overcome popular objections to his anti-competitive maneuvering.

First, he instructed his PR managers to heighten popular fears of socialism in order to promote acceptance of government-regulated monopoly as a less-undesirable alternative. According to biographer Forrest McDonald, Insull had no objection to socialism in general and "lobbied for twenty years to bring about a government-owned system for England." Insull believed he could maintain his power under any system, public or officially private, in which governments afforded his organization monopoly status. But he knew that most Americans favored a competitive system and would support regulated monopolies only if they were seen as precautions against socialism rather than stiflers of competition.

Second, Insull realized that he and his cohorts in government would have to perform a charade at times, because those favoring competition would stand for regulated monopolies only if the regulators were seen as severe watchdogs. Insull's principle was never to attack a governmental official who attacked him: "One must expect and accept public denunciations by one's political friends, whenever political expediency necessitated," he once remarked.

Third, Insull believed that industry executives, as soon as the time was right, should lead the fight for increased regulation. Such a stance would allow executives to develop alliances with pro-regulation politicians, who would man the regulatory commissions when established or at least appoint regulatory officials. Under Insull's instigation, the National Electric Light Association trade group set up a Committee on Public Policy in 1906, which lobbied vigorously for establishment of state regulatory commissions.

By 1912, scholar Gregg Jarrell has found, "utilities were the main champions" of state regulation. J. Allen Smith, a former dean at the University of Washington, wrote in a 1914 issue of the *Annals of the American Academy of Political and Social Science* that the regulatory movement, "though ostensibly designed to give cities more effective protection against public utility abuses, has not had its origin in any popular demand from urban communities. The initiative in this matter seems to have come very largely from the public utility interests."

That phase one of the Insull-led utility campaign succeeded is evident from the chronology of events: Early in the 20th century, only five states had regulatory commissions for utilities. Between 1912 and 1917, *25 states* established regulatory commissions. But Insull's artful machinations were not yet exhausted.

BETTMAN ARCHIVES

sleazy (slē•zē) 1. vulgar, disreputable. See Samuel Insull.

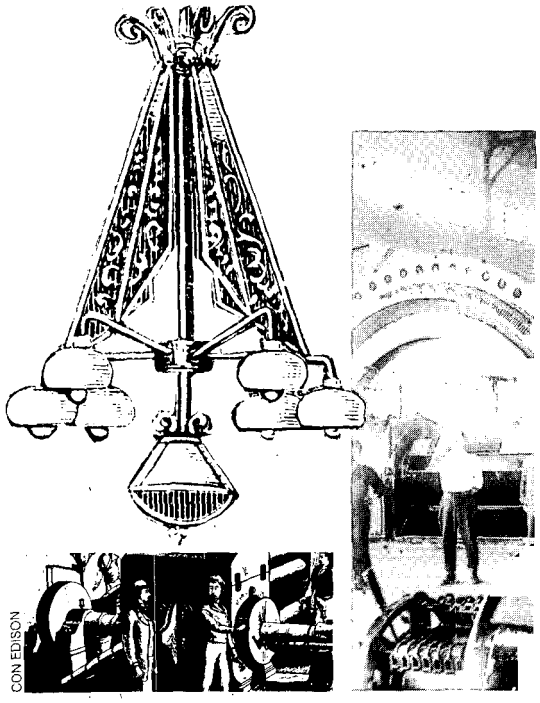
Boy Did We Get a Wrong Number

While Insull was busy hatching his PR deceptions in the Windy City, Theodore Vail was also pondering the problem of competition at AT&T's New York City headquarters. Vail had been president of American Bell during the 1880s and rejoined the company in 1902 as a member of the AT&T board of directors. At that time, Bell's dominance of the telephone industry could not be taken for granted. In 1903 the company listed 1.3 million subscribers. That same year, according to a Census Bureau report, independent companies had over 2 million. By 1905—the year a book entitled *How the Bell Lost Its Grip* came out—the independents were breathing hard down Bell's neck. Vail perceived that the threat came predominantly from competition, not regulation. It was an accurate perception.

When he resumed AT&T's presidency in 1907, Vail immediately analyzed the Bell System's competitive problems, city by city. In Toledo, for instance, Home Telephone Company had begun competing with the local Bell franchise in 1901. Charging rates half those of Bell, it had 10,000 subscribers in 1906, compared to 6,700 for Bell. In Nebraska and Iowa, independent phones outnumbered those of Bell 260,000 to 80,000.

In his 1975 book, *Telephone: The First Hundred Years*, John Brooks reported that cities with referenda on the granting of independent franchises were voting decisively in favor of competition over regulated monopolies. In Portland, Oregon, a new telephone company won a franchise by a vote of 12,213 to 560. In Omaha the independent company was approved by a vote of 7,653 to 3,625. And in a national survey of 1,400 businessmen, 1,245 said that competition had resulted or could result in better phone service in their cities, with 982 adding that competition had forced Bell to improve its own service.

Bell had been promoting itself as a monopoly provider on the grounds that only a monopoly system would allow telephone users in different cities or different parts of a town to talk with each other. Yet Vail knew that system interconnects were fast becoming technologically feasible, and many scoffed at the company's argument. Something had to be done. Vail and his key public relations assistant, James Ellsworth, set about to



CON EDISON

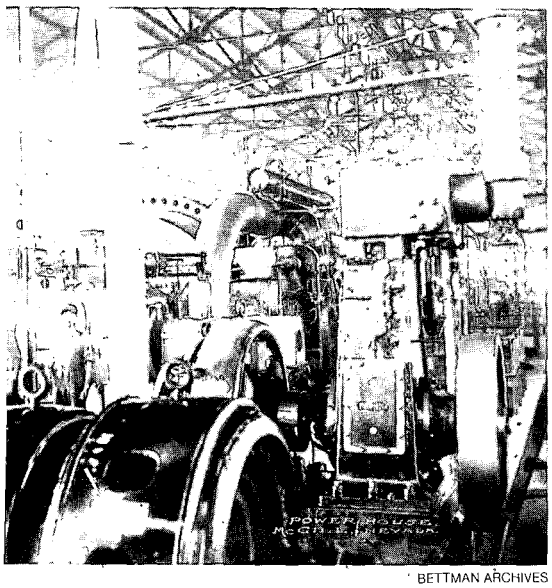
develop three additional lines of defense against competition.

The company's best answer to competition, from the consumer's point of view, was rate-cutting. In some instances, Bell licensees cut their prices to meet the competition. But this procedure was costly to Bell, and for that reason, Vail generally used it as a last resort.

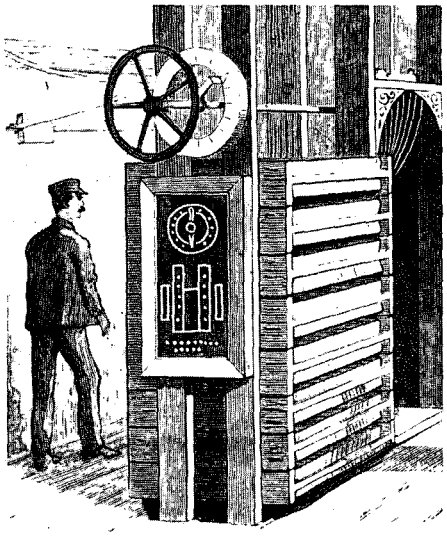
A more frequent defense was political. For example, shortly after the turn of the century, Bell's Buffalo licensee succeeded in having the city council force the competing Frontier Telephone Company to pay the city $50,000 in cash, give the city free use of 100 telephones, and pay a 3 percent gross-receipts tax. Bell had no such requirements. Frontier soon went under. But the political shenanigans and occasional payoffs needed to produce such deals could backfire. In San Francisco a Bell licensee vice-president, Louis Grant, was sentenced to five years in prison for attempting to bribe city supervisors.

Bell's third and most important line of defense, once Vail took over, was public relations. Even before Vail became its president in 1907, AT&T had already gained a reputation for pressure tactics, such as linking its advertising expenditures at a publication with requirements that the newspaper or magazine run editorial puffs about the company. But Vail, like Insull, had larger ambitions. Vail's goal, as his speeches collected in the volume *Views on Public Questions* make clear, was to gain not just a few polite mentions but to win public support for regulatory agencies that could establish barriers to Bell's competitors.

"Yes, we've no excess profits
No overgrown surplus today"



BETTMAN ARCHIVES



CON EDISON

States that continued to allow competition had lower utilities prices.

Vail argued that AT&T could successfully fight a two-front war—stifling smaller companies on one front and holding off the federal government's trustbusters on the other—if it convinced the public that economic efficiency demanded one big telephone company. Things fell Vail's way in 1910, when, after extensive AT&T lobbying, Congress gave the Interstate Commerce Commission jurisdiction over interstate telephone and telegraph communications.

Vail's own conception of the commission's charter was apparent in an article he produced for *Atlantic* in 1915, "Public Utilities and Public Policy." Vail vented less spleen on socialism than on "vicious acts" of competition. He argued, for instance, that competition creates bad public relations for business, since "the settlements of competitive wars always affect the public unfavorably. . . . When prices are restored . . . they are in constant contrast with the cut price of competitive war, and the consumer is constantly reminded of the differences and resents them."

For Vail, the prime enemy was clear: competition. He did not like competition, "excepting that kind which is rather 'participation' than 'competition,' and operates under agreement as to prices or territory." Vail, like Insull, knew that other businessmen as well as the public generally still needed to be convinced about the uses of regulation. "Some corporations have not as yet quite got on to the new order of things," Vail complained. A total public-relations war would have to be waged.

Buying Off the Editors

Early in the century, phone and utility industry public-relations officials merely followed the practices worked out by the railroad industry toward the end of the 19th century: freelancers were paid to produce favorable articles. At AT&T, other PR practices came into play, as well, such as hiring lawyers not for their expertise but for their valuable contacts and awarding contracts for supplies to the highest bidders in order to make new friends. The company also would pay membership fees and expenses of managers dispatched to join community organizations under orders to socialize with political and civic leaders. But to Vail, these techniques still seemed somewhat random and incomplete. He wanted a company that was expanding its service into every hamlet to have PR efforts in every hamlet, as well.

Vail and and his right-hand PR man James Ellsworth took the first step toward such comprehensive coverage when they institutionalized the use of what came to be called "third party" editorial services—firms hired to regularly write and send out material favorable to a company's cause, in this case Bell's regulated-monopoly concept, but without any mention of the economic relationship—a refinement of the railroads' old trick of paying freelancers to do puff pieces for them. From 1915 through the '20s, for instance, Bell phone companies paid one firm more than $100,000 for such services. Insull's National Electric Light Association paid the same firm $84,000 a year to send out almost 13,000 newspaper articles annually, according to Ernest Gruening's 1931 book, *The Public Pays*. The articles usually appeared as original editorials without any reference to their source. The editorial service called itself an independent organization, but the agency received at least half of its income from utilities alone.

Use of such services was only the beginning. Soon industry front groups began sending out enormous numbers of PR "news releases." For example, in 1920 and 1921, 5 million pieces of such literature were circulated in Illinois alone by the Illinois Committee on Public Utility Information, headed by Insull's top PR aide, Bernard J. Mullaney.

Mullaney bragged to colleagues that he set up newspaper editors for his PR coups by first sending them huge amounts of accurate copy, to get them to rely on his work. After he had gained the editors' full trust, Mullaney would then

begin slipping in a few fast ones. PR managers elsewhere reported similar successes with this tactic.

To make sure their messages were heard, utility PR people were instructed to develop "friendships" with newspaper editors, then exploit them. FTC hearing exhibits from the 1930s show how utility public-relations manager George E. Lewis, for example, boasted to associates that he had gained "the confidence of hundreds of newspapers in New Mexico, Colorado, and Wyoming" and "the friendship of dozens of editors. It has taken three years of effort to establish this relationship."

Bell publicists also were told to "go out of your way, if necessary, to render a service to editors," according to memos made public at Federal Communications Commission hearings in the 1930s. This generally meant giving editors free long-distance telephone service. Some PR managers were contemptuous of newspaper editors whose friendship was so forthcoming. J. B. Sheridan, director of the utility-sponsored Missouri Public Relations Committee, wrote that the editors he serviced were useful, but "all of them are 'God's fools,' grateful for the smallest and most insignificant service or courtesy."

Sheridan had more respect for those who proceeded on a cash basis. "The time is ripe for getting very close contact with the newspapers," he wrote in 1922 in a letter to one utility executive. "If we can stimulate a little local advertising for some of the leading papers in the state, I think we will have the newspapers and the operators so closely associated that it will be impossible to split them out in the future." Of his success with this tactic Sheridan could eventually report, "We now stand very well with the editors, and the press of the State."

The same cash value was being developed on the electric-utility front. As their campaign for total coverage proceeded, Insull and Mullaney told associates to "promulgate the idea rapidly among the newsapers that public utilities offer a very fertile field for developing regular, prompt paying, customers of their advertising columns. When that idea penetrates the United States, unless human nature has changed, we will have less trouble with the newspapers than we had in the past." Guy B. Newburn, director of the Tennessee Public Utility Information Bureau, reported typical success in playing on human nature: 40 Tennessee newspapers ran pro-utility editorials after he placed ads with them.

From the utility perspective, prime placement of material unidentified by source was excellent, but bylined articles by well-known reporters could take advantage of those writers' credibility and thus be even more effective. A ghostwriting industry along these lines soon developed. In one documented case of this, Newburn of Tennessee sent clippings to C. A. Beasley of the Alabama Power Company and wrote (in a letter made public during FTC hearings): "I want to call your attention particularly to the story appearing in the (Memphis) *Commercial-Appeal*, under the signature of R. M. Gates, Washington correspondent.... The story which he filed is one which I dictated, and it appeared in the *Commercial-Appeal* exactly as dictated to Mr. Gates by me." Other utility publicists reported similar successes.

PR managers also developed impressively roundabout methods of gaining third-party endorsements. For instance, in 1923 Sheridan of Missouri had one of his articles printed as an editorial in the small-town *Excelsior Spring Standard*, just so he could "reprint it as a special bulletin, credit the newspaper in which it appeared..., and distribute it to all newspapers in Missouri," as he recounted to a colleague. Similarly, S. E. Boney, a North and South Carolina utility PR man, convinced the North Carolina attorney general and a prominent South Carolina judge to contribute articles ghostwritten by Boney to a utility-published magazine, *Public Services*. Boney then sent out press releases announcing endorsements from such leaders.

Theodore Vail: The AT&T kingpin who hated competition and loved regulation.

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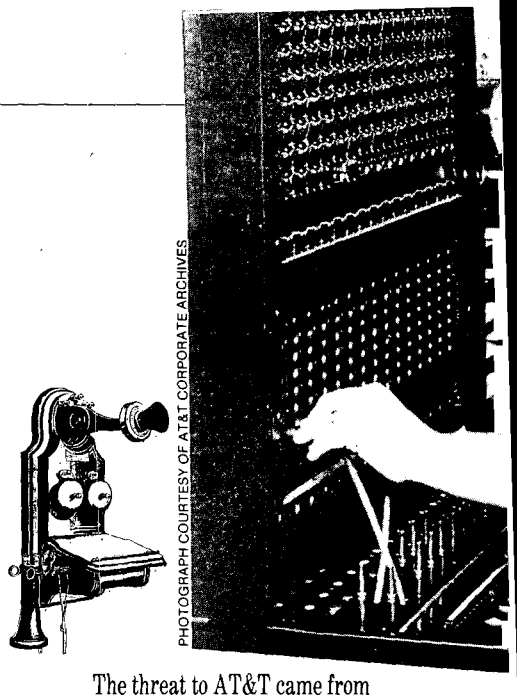


PHOTOGRAPH COURTESY OF AT&T CORPORATE ARCHIVES

The threat to AT&T came from competition, not regulation.

Other local utility PR managers developed more-subtle forms of sweet-talking. H. M. Blain, director of the Louisiana-Mississippi Committee, persuaded editors of most of those states' leading newspapers to run a daily column of questions and answers called "Ask Miss Lou." Some questions came from readers, but questions on utility subjects were slipped in and answered by Blain. The substance was similar to that of the utility press releases and ghostwritten editorials: opposed to governmental takeover of utilities, but sharply pointing out the "inefficiencies" of competition and the need for regulated monopoly.

Boy Scout Monopolists

Theodore Vail died in 1920, but his policies continued for a time. Insull continued strong throughout the 1920s. Increasingly during the decade though, it became apparent that even the comprehensive public-relations bombarding of the press that utilities had put into effect was not enough to create public confidence in the regulated monopolies. Electric-utility public-relations counselors argued that "all community elements must be mobilized." J. F. Owens of the NELA public-relations counselors committee proclaimed, "Through women's clubs, we have one of the greatest avenues for the dissemination of correct information relative to the public utility." Utility companies bought memberships in local clubs for women employees and managers' wives, and tried to get them elected to leadership positions.

FTC investigations of the '30s showed that some club leaders apparently were purchased outright. Mrs. John D. Sher-

man, president of the General Federation of Women's Clubs, was paid $600 per month beginning in October 1926 to "write" articles prepared for her by utility PR men, who would then place them in leading magazines. Women who did not require cash were sometimes thrilled by bylines. Maria Croft Jennings, president of the South Carolina Federation of Women's Clubs, wrote in a letter to utility PR man S. E. Boney, "The article that you wrote which you so kindly allowed me to sign as my own has seemed to make quite a 'hit.' I appreciate the copies that you sent and am enjoying the delightful publicity caused by the various papers copying the article, although I feel quite an imposter."

"Total community coverage" was the goal, as came out during the FTC hearings of the 1930s. Included among the hearings' exhibits, for example, is the recommendation of E. C. Deal of the Electric Bond and Share Company that the ideal public-utility manager "should identify himself with the Boy Scout movement...and should encourage some of his lieutenants to become scout executives, scout masters, etc." Sheridan of Missouri even went so far as to dispatch a colleague to investigate the judging of St. Louis high-school debates about electric railways—the debates had been won by those critical of the regulated-monopoly position, so Sheridan wanted to "ascertain the means employed to initiate, manage and judge these debates in the public schools."

"If we have any propaganda," Earle W. Hodges, director of the Arkansas Bureau, boasted at the NELA's 1923 meeting, "we so conceal or sugar-coat that propaganda with boosting and working for art that it is generously entered into and gotten back of by all of the chambers of commerce, civic clubs, men's and women's organizations over the State." The Wisconsin Utilities Association adopted the sugar-coating approach and printed a song—to be sung to the tune "Yes, We Have No Bananas"—with the words, "Yes, we've no excess profits, No overgrown surplus today. We've interest unceasing, And taxes increasing, And all of the help to pay."

While these pseudo-subliminal methods may seem silly, others were more subtly crafted. In 1924, for instance, P. S. Arkwright, chairman of the Southeastern Division of the NELA, confided in a letter to a utility PR colleague that he and his assistants had placed posters in hundreds of schools. The posters provided "facts about the State, but never any propaganda about the company. This company believes the result is that school children constantly seeing the name of the company associated with facts about the State's greatness are beginning to associate the company itself with the progress of the State."

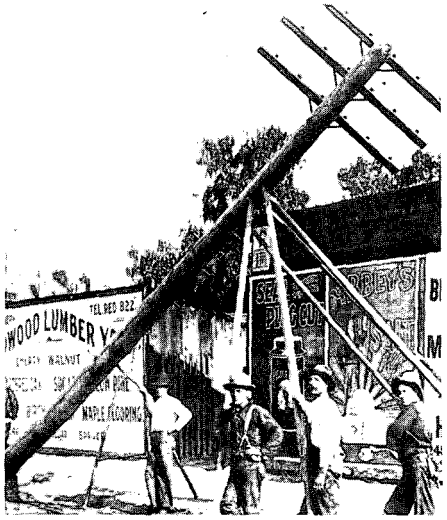
Some utility PR officials, viewing as their goal the total dominance of communications and education, moved to excise from government and economics textbooks passages opposing regulated monopoly. This was to proceed secretly, one utility executive noted in a memo made public by the FTC, because "if the public were to get the idea that textbooks were being used for propaganda for public utility companies, the reaction would be worse than the original misinformation."

Willing professors were used as spear-carriers. For instance, Horace M. Davis, director of the Nebraska Committee on Public Utility Information, described in a 1925 letter to a fellow associate how he had cleverly won academic support for the regulated-monopoly concept: "We have been at it for more than two years here...first selling the idea to the agricultural college folk and letting them take the spotlight and assume all the leadership. Just yesterday we went through the motions of setting up an actual joint committee on relations of electricity to agriculture. The dean of the agricultural college will be chairman but will do little actual work....The college can say things that we can not say and be believed."

The cumulative impact of all these utility public-relations deceptions—manipulating editors, club leaders, professors, and anyone else who might have influence—was overwhelming. It had to be, because overcoming the American public's underlying pro-competitive sense was not easy—especially since consumers actually ended up paying higher utility bills. Yet by 1930 the concept of regulated, "natural" monopoly in utilities was well-established. That year, Congress established the Independent Federal Power Commission, against the objections of Sen. C. C. Dill. Commissions, he noted with great foresight, "are responsible to nobody directly." In 1934 Congress again ignored similar complaints and warnings about the over-reaching power of commissions when it established the Federal Communications Commission to "exercise unified control over all facilities for interstate communication," including radio and telephone. A half-century later, the idea of "unified control" is still with us.

Today's deregulation movement is challenging that idea with increasing vigor. All the while, utility PR people and government regulators continue to recite the "free enterprise lost in a fair fight" tale. That story won't wash any longer. Vail and Insull and their cronies managed to hornswoggle several generations of Americans, but their modern-day counterparts have a tougher battle on their hands. American consumers are getting wise to the regulated-monopoly con, and it doesn't take subterfuge for them to make their case—only open information and honest analysis. Let's hope that it's enough. ◧

AT&T's goal: To win public support for regulatory barriers to Bell's competitors



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Marvin Olasky teaches journalism at the University of Texas at Austin.

Foreign Exotica

Revelations from a CIA manual.

by **Thomas O. Melia**

Disciples of Henry Kissinger will doubtless read too much into the fact that Argentina, Bolivia, and Haiti each has a "Minister of Foreign Affairs and Worship." Students of comparative criminology may want to investigate the import of Italy calling its chief law enforcement officer "Minister of Pardons and Justice" while his counterpart in Lesotho is called "Minister of Justice and Prisons." (Which leads to a lower rate of recidivism—pardons or prisons?)

Those who like to slice short cuts through cocktail party chatter about the moral symmetry of East and West by announcing that US border guards are hired to keep people *out* will want to check which countries have ministries of emigration as opposed to immigration. (Poor confused Haiti has both, and Indonesia has Martono, "Minister of Transmigration.")

France has a minister of "Decentralization," indicating that problems still linger from that Napoleon period they went through. Brazil, with a shorter history but apparently larger problems, has gone a step further in appointing a "Minister of Debureaucratization and Decentralization"—a title clearly devised by an interagency task force (and a sign that this ministry will be around for a very long time indeed).

These and other insights into the state of the state in the world today can be found in *Chiefs of State and Cabinet Members of Foreign Governments*, as tightly written and comprehensive a text on comparative government as there is. Published by the CIA's Directorate of Intelligence and updated bimonthly, it is available to the public in a no-frills paper edition bearing on the cover the

CIA frowning eagle logo and inside the admonition that "obsolete directories should be destroyed." (Shred or burn, as you please.)

This is one of the few public documents still distributed by the CIA since William Casey assumed command of the intelligence community in 1981 and vastly reduced the agency's public profile. Casey abolished the Office of Public Affairs, downgraded the legislative liaison operation, and halted dissemination of hundreds of unclassified studies. Nowadays about the only way to learn what the CIA is up to is to buy a newspaper.

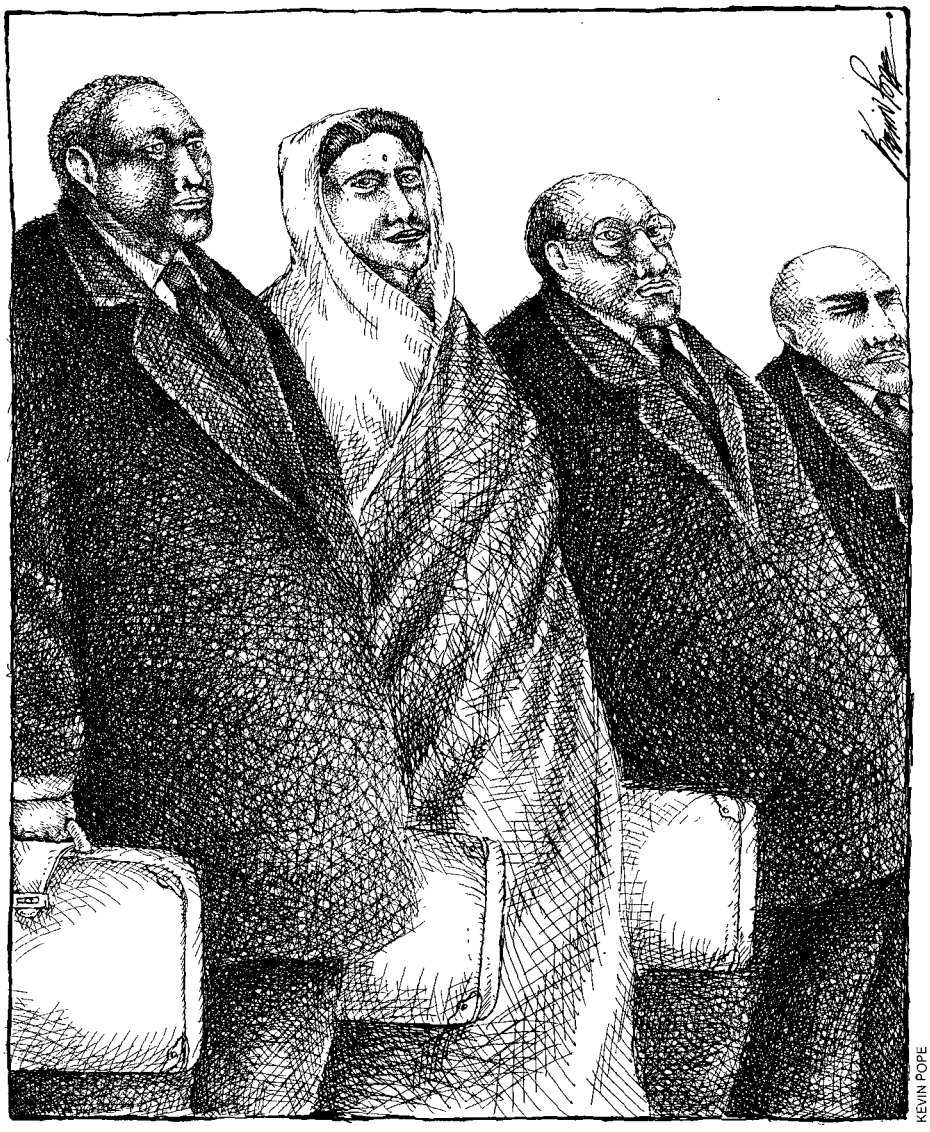
Like any document worthy of the CIA imprimatur, *Chiefs of State* requires a bit of reading between the lines to glean the essential message. In some cases red flags are raised, prompting the reader to wonder, "Why *this* ministry, in *this* country?"

Why is Luxembourg the only place in the world with a "Minister of Middle Class Affairs"? Why is only one of 20 cabinet officers in Fiji called "Minister for Fijian Affairs"? Aren't they all?

Is Papua New Guinea's ministry of "Youth, Women, Religion, and Recreation" a functionary's witty reply to the proliferation of women's affairs portfolios in governments around the world? That Madagascar has both a "Minister of Information & Ideological Orientation" and a "Minister of Revolutionary Art & Culture" does not say what brand of revolution has seized power there, but it is warning enough to vacation elsewhere.

In some cases popular impressions will be confirmed. The crowded cabinets of the Soviet bloc are flush with ministers of state security and "people's education," chairmen in charge of wages and prices, and many, many ministers in charge of particular industrial sectors. Ivan Pudkov, typically, is currently "Minister of Machine Building for Light & Food Industry & Household Appliances" in Mother Russia herself. Cuba, sassy as ever about spreading the revolution, lists a "Minister Without Portfolio (supervises construction abroad)."

The reader also learns a few things about America from *Chiefs of State*. The size of our government, first of all, is relatively modest—at least insofar as the number of officials who rate inclusion in the president's cabinet. Currently, in addition to the president and vice president, there are 13 department secretaries and five other "executive officers of cabinet rank" (directors of intelligence and budget, trade representative, White House chief of staff, and our ambassador to the United Nations). A grand total of 20. The Soviets, by contrast, list 136 such officials, Angola 51, Sri Lanka 44. Even Grand Duke Jean of Luxembourg has 30 ministerial portfolios to pass around. So be thankful the American bureaucracy is as small as it is.



KEVIN POPE

Then note that in virtually every government the number-two official (whether deputy prime minister or deputy chief martial law administrator) also has an actual job to do. Ours is about the only government in the world in which the second-highest official has only ceremonial duties to attend to.

Finally, most readers will find a tidbit or two to use when grousing about their pet peeves. I mean, you have news you can *use* when you know that India and Libya are the only two countries with Ministers of Atomic Energy.

This reader, for instance, has always thought it extremely odd that the US ambassador to the UN sits in the cabinet along with the secretary of state (who is two steps up from the ambassador in the chain of command over at Foggy Bottom). *Chiefs of State* provides a measure of just how odd. The only other cabinet in which an ambassador sits is that of the People's Republic of Bulgaria, the one country in the world that would remain in the Soviet bloc if it had a choice. (The Red Army liberated Bulgaria from the Turks in World War One, and memory of the Ottoman Empire apparently makes colonial life in the Soviet Empire seem pretty darn attractive.) So there in the cabinet of Chairman Todor Zhikov sits the Minister Extraordinary & Ambassador Plenipotentiary to the USSR. ◻

Thomas O. Melia is a foreign policy analyst in the United States Senate.

What explains Japan's success in the international marketplace? Hint: "industrial policy" is not the right answer.

Japan's Secret

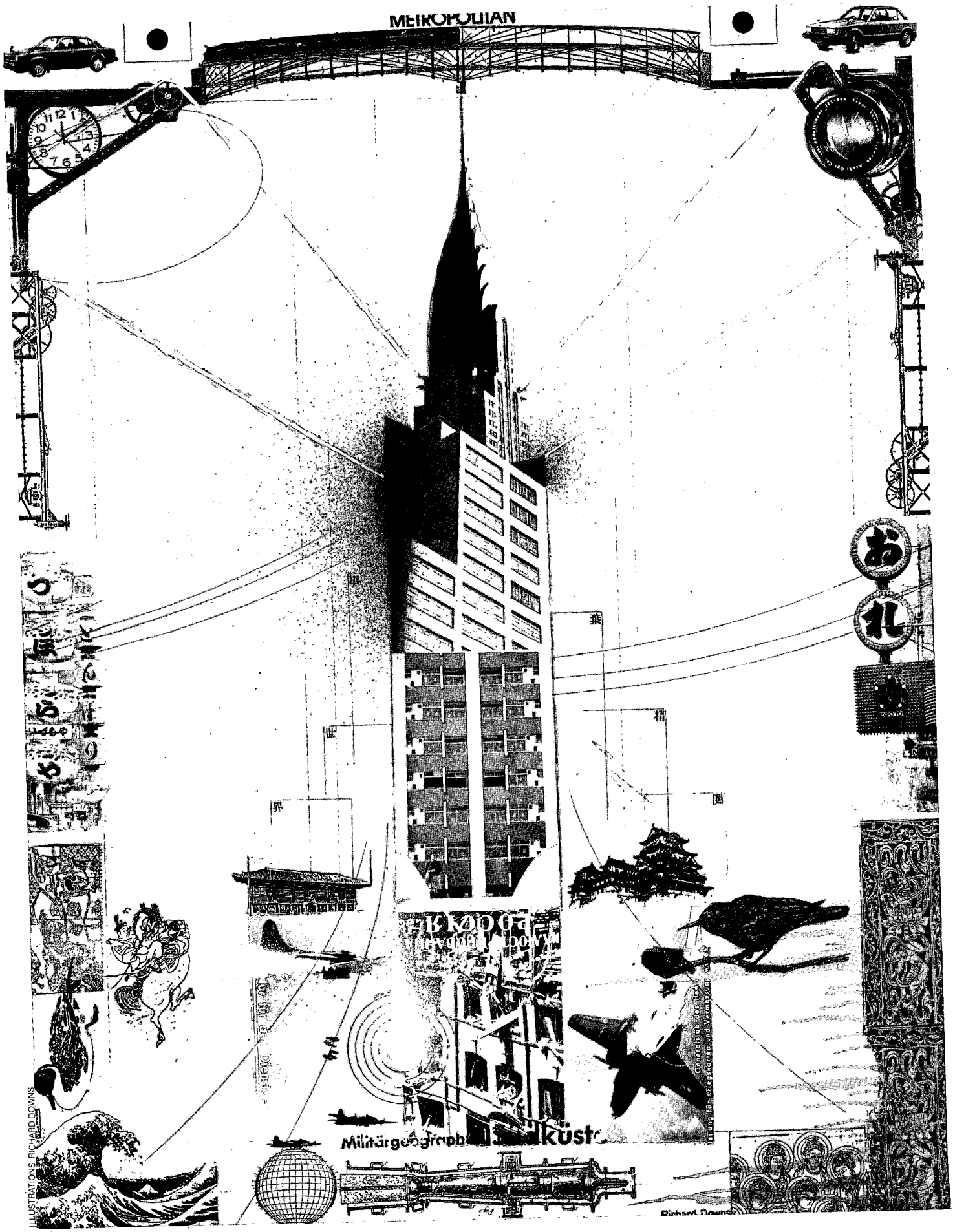
Japan-bashing seems to be America's favorite sport these days. Once viewed as a nation of purposeful, innovative, hard-working people, Japan has become something of an economic pariah. By now we all know the familiar protectionist litany by heart: Japan takes "unfair" trading advantage of the United States through "sweatshop" wages, direct subsidies, import restrictions, an undervalued yen, and other predatory economic policies.

So much of the protectionist prattle is just downright nonsense that it's hard to know where to begin setting the record straight. Today, 40 years after World War II ended at Hiroshima and Nagasaki, Japanese wages have reached a level that is comparable to, or higher than, those of most industrialized nations of the West. Direct subsidies to manufacturing industries from the Japanese government are nonexistent. Japan's average level of import duties on foreign-made goods compares very favorably with those of the European countries and the United States. Only foodstuffs and a few minor categories of manufactured items remain covered by quantitative import controls. And the Japanese yen has appreciated more than 30 percent since 1971 under the system of floating exchange rates.

Nonetheless, as the US bilateral trade deficit with Japan increases (from $37 billion to $50 billion over the last year), the criticisms of Japan are intensifying. The newest bipartisan bogeyman is Japanese "industrial policy."

Popular Democratic economist Lester C. Thurow claims that "Japan is marked by a degree of central investment planning and government control that would make any good capitalist cry." Reagan trade advisor Lionel H. Olmer tells *National Journal* that "government-directed industrial policy and how it affects Japanese performance in the United States is more important than the openness of the Japanese markets." University of California professor Chalmers Johnson asserts that "central to an understanding of Japan's 'miracle'...is the role of the Ministry of International

by **Katsuro Sakoh**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ILLUSTRATIONS RICHARD DOWNS

Trade and Industry (MITI)." From left and right, industrial policy paranoia has swept the political community.

Once the existence of a Japanese industrial policy has been "proved," usually by adducing brief, anecdotal evidence, these analysts get to the point. To wit: If American firms are to compete in world markets, the US government must assume a similar, major role in directing and protecting *this* nation's economy. To compete with Japan, the argument goes, we need an American industrial policy.

But the trouble with this supermyth about Japan's government-directed success is the trouble with all myths—it just ain't so.

MYTH: Japan is marked by a degree of government control that "would make any good capitalist cry."

FACT: During the 1960s, when the Japanese economy was growing fastest among all industrialized nations at a rate of nearly 10 percent per year, Japanese government spending was 19 percent of Japan's gross national product (GNP)—smallest among industrialized nations. Though government spending sharply increased during the 1970s due to costly social welfare programs, the ratio of government spending to GNP—now 26 percent—is still lower than that of France (42 percent), West Germany (37 percent), the United Kingdom (36 percent), and even the United States (30 percent).

MYTH: The Japanese government funds and directs most of that nation's research and development.

FACT: The government's share of gross research and development expenditure is 28 percent in Japan—compared to 58 percent in France and 48 percent in the United Kingdom and the United States.

MYTH: The Japanese government owns and operates many of the most profitable firms in the Land of the Rising Sun.

FACT: State ownership of enterprises is very limited in Japan. The Japanese government *does not own any* manufacturing industries. In Europe, by contrast, almost all governments own and operate some major manufacturing industries, from Renault in France to British Leyland.

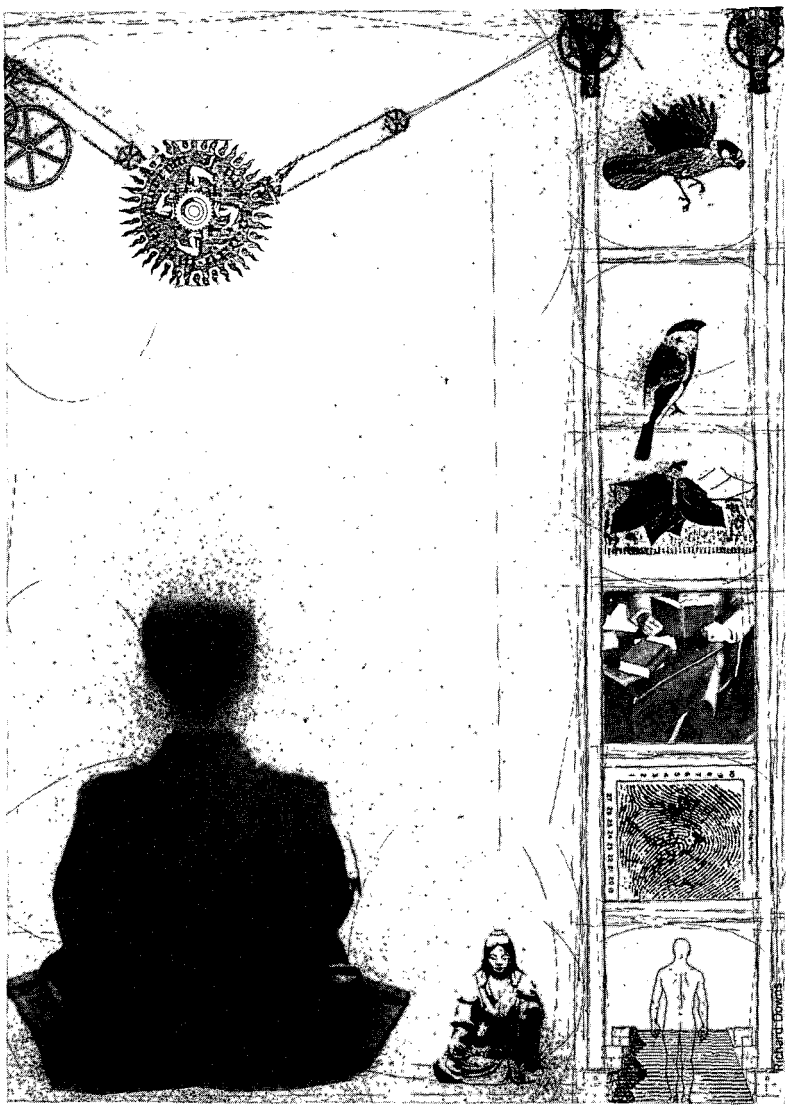
It is true that the Japanese government has targeted certain industries with public money—but not those industries you might assume. Agriculture, for example, is heavily subsidized, just as in the United States. Because food was scarce in the postwar period and more than 50 percent of the Japanese population was engaged in agriculture, the government involved itself in the farming business as never before. Once in, never out. Today, Japanese farmers receive more than $10 billion a year in direct financial subsidies—about the same amount the government spends on defense. (The US government spent more than $50 billion on agricultural price supports from 1981 to 1985.)

Other politically powerful groups have benefitted from government assistance, among them the national railway system, ports, roads, airports, and the panoply of so-called infrastructure projects.

With all these influential interest groups scrapping for government assistance (Japan's National Railway alone accounts for *18 percent* of the government's annual budget), precious little has been left for direct financial support to the manufacturing sector. The vaunted MITI, the central icon in the temple of industrial policy worship, received only 1.6 percent of the government budget last year.

It is true that MITI has targeted certain industries with Japan Development Bank (JDB) funds—but again, not those industries assumed by the American public. Until the early 1970s, the majority of JDB's low-interest loans went to the shipping industry and various energy-related industries such as coal mining, nuclear power plants, and oil refineries. Over the last decade the JDB has switched its emphasis toward investing in environmental quality control and urban and regional development.

And what has mighty MITI wrought? The agricultural and coal-mining industries, which are the most heavily subsidized by the government, are by far the most inefficient industries in Japan. Other industries dependent on government largesse—for example petroleum refining, petrochemical, and shipbuilding—are unable to compete in the international market. More than a few companies are nearly bankrupt.



So there you have the miracle of Japanese industrial policy. It has helped create inefficiency in one of the most robust economies in the world!

In stark contrast to the feeble above-mentioned industries, Japan's most successful and internationally competitive industries have received *almost no financial help and little protection from the government.* This is true right down the line—for iron and steel, computers, and automobiles, all of which are often cited as shining examples of the blessings of Japanese "industrial policy."

The steel industry, for example, received less than one percent of the JDB loans from 1951 to 1972—or half the assistance received by the hotel business during the same period. Similarly, the Japanese government's R&D expenditures in the semiconductor field have been vastly overstated. According to the authoritative *Journal of Japanese Trade and Industry*, Japan spent $127 million on semiconductor research and development from 1975 to 1982. The US government, by comparison, allocated $279 million on semiconductor R&D over the shorter 1978-82 period.

And the fantastically successful automobile and consumer electronics industries, objects of such venom from American trade protectionists, have enjoyed virtually to special favors from the government.

Yes, government officials in Japan do engage in an extraordinary amount of consultation, communication, and discussion with business groups. However, this does not mean that the tens of thousands of Japanese entrepreneurs and corporate executives invest their capital, hire their workers, select new technologies, or adopt new marketing strategies after consulting omniscient Japanese bureaucrats. Nor do they operate their businesses according to any government vision or guidance.

Japanese entrepreneurs know that government officials do not possess any superior knowledge of the workings of the market. Contrary to popular impression, most private businessmen are suspicious of government authority and go to great lengths to avoid bureaucratic meddling and proffered assistance. For example, in the early 1960s, MITI was concerned about the lack of competitiveness in the automobile industry. Their answer—consolidate many automobile companies into just a few large companies. Only strong resistance by Mazda, Honda, Mitsubishi, and others scotched MITI's plans.

How, if not by activist government policy, has Japan accomplished its phenomenal economic growth since World War II? Though political scientists and industrial-policy groupies prefer to cast about for a statist explanation, the real savior has been the new market economy. The key to Japan's great postwar success has been the unleashing of creative and dynamic forces brought on by the destruction of the old order and the emergence of a new one. The Japanese after World War II gained a freer and more democratic social and political environment permitting them, as individuals, to maximize their energy, talents, and ideas. They have taken advantage of these new opportunities, not unlike the American immigrants earlier in this century. Freedom is invigorating Japan's traditional feudal society, which discouraged the bold and creative individual, has collapsed. The Japanese today enjoy unprecedented individual freedom: the freedom to engage in the occupation of one's choice, freedom of speech, freedom of investment and pricing, and the freedom to take chances. Individuals may use their capital and talents as they choose.

Under the postwar American occupation, many of Japan's old leaders were purged and the old order was reformed. Cartels, such as Zaibatsu, were dissolved and private businesses were substantially freed of government control and intervention. For the first time, practically any Japanese citizen, regardless of age, class, or family background, could venture into business and succeed if the elements of hard work, imagination, willingness to take risks, and luck were present. Established businesses prospered under fresh young management, and thousands of entirely new enterprises—Honda, Yamaha, Sony, and Suzuki, to name a few—were born in this new climate of freedom.

Literally hundreds of thousands of

small businessmen and entrepreneurs invested in capital goods and equipment. Not because some MITI bureaucrat suggested it after gazing into a crystal ball, but because they sensed opportunity in a newly freed society. These small businesses—860,000 companies, or 99.5 percent of the nation's manufacturers, employ fewer than 300 workers—are the wellspring of Japan's economic vitality.

Of course, other factors have contributed to Japan's economic miracle. Inexpensive raw materials (especially petroleum), stable and open world markets for Japanese goods, and readily available foreign technology have played no small part. But these propitious conditions were not created by the Japanese government or even the fabled MITI.

Rather, Japan's success in international markets is testament to the work of thousands of private firms and individuals operating in a free environment. These private firms aggressively entered world markets as importers of raw materials, exporters of Japanese products, and negotiators for advanced technologies and know-how. Vigorous private traders, not state officials, are the heroes of Japan's economic rebirth.

Japan's success in international markets is testament to the work of thousands of private firms and individuals operating in a free environment.

Just as heroic is Japan's abundant and well-educated labor force. Much has been written in its praise—Japanese workers are said to be disciplined, hard-working, readily adaptable to new technologies, and both willing and able to help management develop new ideas and techniques. All true. But there is another quality, less-heralded but vitally important to a strong economy: *Japanese workers save their money.*

The average Japanese worker saves approximately 20 percent of his income. The reason for all this saving is, again, the fresh air of freedom. The postwar environment is such that millions of individuals, regardless of social background and lineage, can rise in society by virtue of their own efforts.

Competition for advancement is fierce, and those who acquire an education of the highest possible quality have the best chance to get ahead. Most parents are willing to pay the high price of preparing their children for the entrance examinations to Japan's finest universities. Because such preparation is expensive, they tend to put away regularly a large portion of their income for their children's future and in doing so ensure an educated workforce and a healthy level of national savings.

A second motive for saving is the "inadequacy" of the Japanese welfare state. Relatively low government expenditures on social welfare programs encourage individuals and families in Japan to provide for their own security after retirement and in the event of illness or unemployment.

The lack of an overweening welfare state helps explain the exceptional loyalty workers feel toward their employers. Workers know very well that their present and future well-being depends on their company's success in competing in what are usually highly competitive markets. Consequently, they eagerly contribute their energies to the corporation and willingly focus on long-term benefits rather than short-term gains from labor negotiation.

There is a final factor critical to Japan's amazing growth. Since the early 1950s (when "Made in Japan" was still an epithet), Japanese entrepreneurs have been firmly committed to quality control. American experts in statistical quality control, most notably Dr. W. Edwards Deming, have been far more influential in the top management circles of Japanese manufacturing firms than with US firms. In fact, for over 25 years the annual "Deming Prize," awarded to the companies with the best quality control records, has been one of the most prestigious and sought-after industrial awards in Japan.

This commitment to quality control by both management *and* labor has had profound ramifications. When companies selling consumer or industrial goods adopt strict quality control requirements, suppliers to those companies must adopt similar exacting specifications. As a result, quality control is common practice in Japan and is now even being touted in the United States.

This near-fanatical commitment to productivity and quality control by Japanese entrepreneurs is a main reason why Japanese manufacturing goods are still competitive in the international market. It also may explain why Japan has a trade surplus today despite its almost total dependence on imported OPEC oil.

The protectionists and industrial policy enthusiasts are right about one thing—the Japanese government has contributed to the nation's enormous postwar success. But it has contributed not by action but by *inaction*. Its interference in the economy has been sporadic and slight.

In a market-oriented economy like Japan's, government support in the form of subsidies to targeted industries is rarely an ingredient vital to the nation's economic growth. History reveals an unblemished record of failure by governments to improve on the workings of the free market. Japan's economic success over the past 30 years owes nothing to government interference and everything to the genius of free men and women. Let us hope that American policy-makers draw the correct lesson. ◻

Katsuro Sakoh is a senior policy analyst at the Heritage Foundation. Parts of this article were drawn from an earlier paper published in the Cato Journal *(Fall 1984).*

By Mark Skousen

Back to the Roaring Twenties?

Are we headed for another 1929-style crash, followed by a devastating depression worse than the 1930s? Many financial gurus, from Doug Casey to Joe Granville, are predicting just that. Will it happen, and if so, how should we prepare ourselves monetarily?

If you want to make money and avoid the pitfalls, know your financial history. As science fiction writer Robert Heinlein says, "He who refuses to study history has no past and no future."

The comparisons between the 1980s and the 1920s are alarming.

First, as in the '20s, Americans have a careless attitude about debt. The government encourages a high-debt exposure by making interest charges tax deductible while taxing investment income (the Keynesian anti-savings mentality). So it's not surprising that consumer, business, and government debt are growing faster than personal income and national output. The results aren't without risk. Despite Reagan's so-called economic recovery, homeowners are defaulting on mortgages in record numbers, and banks and savings institutions are going bankrupt at the highest level since the depression.

Second, a wave of speculative fever is hitting the country. The volume of trading on the futures and options markets is expanding by leaps and bounds, doubling in the past three years. Net purchases of mutual funds have grown from $8 billion to $30 billion in the past four years.

Third, as in the '20s, American agriculture is struggling. It has never recovered from its heyday in the early 1970s. Grain prices may appear to be "screaming bargains" to the commodity speculator, but there is no sign yet of their recovery.

Fourth, despite substantial growth in the money supply, price inflation has not moved up significantly. The same thing happened in the 1920s, giving a false sense of security. Most mainstream economists are now concluding that "money doesn't really matter after all," but in reality the fiat money expansion continues to distort the economy and could cause an unexpected economic or banking crisis at any time.

Fifth, the protectionist movement is growing in the United States, which could easily lead to another depression. The infamous Smoot-Hawley Act sharply raised tariffs in the United States in the 1930s, exacerbating the Great Depression. It could happen again in the 1980s.

These are just a few of the comparisons between the 1980s and the 1920s. Joe Granville has been so impressed with the similarities that he's compiled a thick book with small print on the subject, called *The Warning*. Is he right? Not entirely.

The inflationary fiat money system could last much longer than Granville, Casey, and the other doomsayers predict.

The biggest difference between the 1920s and the 1980s is that the federal government is much more powerful today and is truly a "lender of last resort" for both the banks and major corporations. That's why I believe that the inflationary fiat monetary system could last much longer than Granville, Casey, and the other doomsayers predict. The reason the United States continues to suffer from strong recessionary pressure is that the Federal Reserve has attempted to slow down consumer price inflation. It has been an extremely difficult task, considering the expansionary fiscal policy by Congress and the malinvestments of the past. I believe we will live in a "high interest, low inflation" economy for the remainder of the 1980s (as opposed to the "high inflation, low interest rate" economy of the 1970s). Crises will appear periodically but will be resolved, at least temporarily, by an omnipresent state.

How to protect yourself?

First, avoid consumer debt like the plague. The stronger your personal financial picture, the better. Build a strong cash position. Easy credit can be extremely destructive as interest charges add up fast. Don't be tempted by favorable tax advantages and easy money. One of my colleagues in the financial advisory business is extremely successful but recently found himself in a bind with $75,000 in consumer debt. Credit cards can be a killer, even for those who we think should be immune. My advice: use cash whenever possible, and control your spending. In this uncertain business world, your income could drop significantly at any time. Be prepared by being in a solid financial position.

Second, stress conservative investments. Avoid speculative fever in futures, options, and unorthodox investments. Watch out for highly promoted "rare coins." Don't get involved in "nothing down" real estate deals and negative cash flow. Avoid "junk" bonds. Instead, invest in quality and diversify your holdings. Invest in mutual funds with a good money manager with an excellent track record. (I can recommend Mutual Shares—26 Broadway, New York, NY 10004; 800/457-0211 or 212/908-4047—which has a $1,000 minimum investment requirement.) Buy a few gold coins as an insurance policy in case a 1929-style panic occurs suddenly.

The people who have been burned in the 1980s have been those who got in over their heads in personal and business debt, failed to save their surplus wealth, and invested in illiquid, unorthodox investments. Don't let it happen to you.

Want to learn more? Read a classic book written in the 1920s but just as relevant today: *The Richest Man in Babylon*, by George S. Clason (available from Laissez Faire Books, 532 Broadway, 7th Floor, New York, NY 10012, $6 paperback).

Mark Skousen is adjunct professor of business management at Rollins College in Winter Park, Florida, and editor of Forecasts & Strategies, *a financial newsletter.*

Zoning Revolutionary

"I've been interested in the law from an early age," says Bernie Siegan. Though he was twice elected to school office, these early successes did not distract him from a legal career devoted largely to *un*doing the doings of politicians.

He went to college on the G.I. Bill. "After I was in the army for three years during World War II," he says, "I don't consider that a subsidy at all."

After graduating from the University of Chicago Law School in 1949, Siegan went to work for a law firm. Three years later he formed a partnership with a classmate from law school, dealing largely with real estate law and zoning. It was hands-on experience in an area he would later research and write about.

By 1968, Siegan had become a research fellow in law and economics at the University of Chicago Law School. His research project: the city of Houston, unusual among America's major cities in having no zoning laws. Siegan found little of the disaster theorized by zoning proponents, such as glue factories setting up shop next to houses. And the explanation wasn't difficult to come by: separation of incompatible uses of land was the natural consequence of the economies businesses could realize by locating along transportation arteries and near their suppliers and industrial customers.

In addition to such market forces, Siegan found in Houston the widespread use of private restrictive covenants—agreements among landowners, generally tailored to particular neighborhoods, governing the uses to which their land may be put. Compared with zoning, he noted in his study, these factors determine land use in a more civilized and efficient manner. Zoning contributes to housing shortages and holds down commercial development; it adds paperwork and years and political shenanigans to land-use changes; and, ominously, it is used to exclude "undesirables."

Siegan published the resulting study in 1970 in the *Journal of Law and Economics*, which journal, Siegan notes, "has had enormous influence in the academic world, which in turn has influenced politics in the direction of deregulation." Then in 1972 Siegan put the word out further with his book *Land Use Without Zoning*.

Bernard H. Siegan

In 1971, Siegan's law partner moved to California "to get away from the cold weather." Siegan held out for two more winters, then in 1973 moved to the University of San Diego Law School. "I had practiced law for 23 years," he explains, "and I wanted to teach."

His teaching spans an interesting decade. Law professors, he observes, "are much more knowledgeable and concerned about economics than 10 years ago." In laws schools, "respect and admiration for government programs has lessened substantially." And that bodes well, he notes, for freedom, since most legislators begin as lawyers.

For five years in the mid-1970s, Siegan wrote a weekly syndicated column for the Freedom newspaper chain. A collection of these columns, larded with additional material on law and economics, formed the basis of his 1976 book, *Other People's Property*.

Siegan has done more than just teach and write about the free market. Several communities have invited him to speak when zoning changes have been considered. In one case, he helped persuade legislators to allow the issue to be settled by a referendum. Zoning more often than not loses when put to a popular vote, notes Siegan. His studies indicate that more-affluent people tend to vote *for* zoning and poorer people *against* it.

Recently, Siegan served on the President's Commission on Housing, chairing the committee on regulations. Many members of the commission, which issued its report in 1982, were of similar mind to Siegan. It is, he observes, a refreshing change from 20 years earlier, when "I would speak to the Department of Housing and Urban Development or other agencies, and they were hostile to free enterprise."

Siegan is now a member of the President's Commission on the Bicentennial of the Constitution. It is an appropriate honor. His influential 1981 book, *Economic Liberties and the Constitution*, has helped to revive the ideas of economic rights and, in legal scholars' lingo, "substantive due process."

From the late 1800s until 1936, explains Siegan, the due process clauses of the 5th and 14th Amendments were taken to protect liberties not specifically mentioned in the Constitution. Since then, however, judges have abdicated their role in protecting citizens from the usurpations of legislators bent on regulating one economic activity after another.

Siegan is currently finishing a book tentatively titled "The Supreme Court's Constitution." "The Court," he contends, "makes its decisions based on three things: the words of the Constitution, the presumed intent of the framers, and whatever the court thinks is desirable. From the beginning, the Court has made the Constitution out to be what it wanted it to be. Judges were as subjective in 1800 as 1986. These are human beings making decisions about enormously important areas. Their attitudes are different now, but the subjectivity is still there."

Although "one of the major objectives of the framers was protecting economic and property rights," he argues, "that intent is no longer being honored by the US Supreme Court." If that changes—if the Emperor troubles himself with a fig leaf at least—it will be in no small part because Bernie Siegan not only said the Emperor has no clothes but proved it.

John Dentinger is a free-lance writer and a columnist for the LA Daily News.

Strange advice from the authors:

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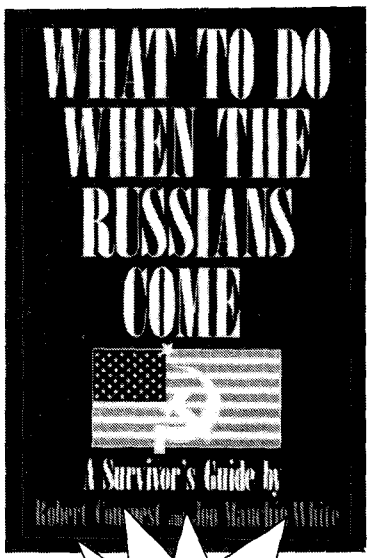

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Communist Comedy

By Christopher McDaniel

For several years now, observers have been telling us that virtually no one behind the Iron Curtain takes socialism seriously anymore. There will always be a few true believers—sad cases for students of pathology—but among politicians, the ideals of Marxism-Leninism are simply exploited as a matter of form, and among the general population socialism is just a bad joke. In East Germany, as in other totalitarian states, the jokes cannot be told on the local equivalent of *The Tonight Show*; instead they constitute a sort of low-brow *samizdat*, an oral underground literature that serves the "dissident-in-the-street."

Konrad Seyfferth was born and educated (that is, propagandized) in East Germany. In 1961 he fled to the West, but in the past twenty years he has visited the "Democratic Republic" often, and on each trip he has heard the latest jokes making the rounds. Now he has published a collection: *Wer meckert, sitzt: Lachen im realen Sozialismus* (Freiburg: Herderbucherei).

The jokes are concrete evidence of the sometimes bitter, occasionally hilarious, always perceptive criticism of the reality of life in a "workers' paradise" from the point of view of the workers themselves. The absurdity of life under socialism lends itself to joking—or else madness—for as Seyfferth points out in his introduction, "socialism is the triumph of an idea over common sense" (here and throughout, my translation).

The first bad jokes are questions:

What is that country whose name itself is a lie?

The German Democratic Republic.

And, in this wonderland of freedom,

What do you get for a good idea?

About five years.

And then there's the story of the man who went to heaven and was astounded to see the nations of the earth represented by clocks showing various times. He asked St. Peter for an explanation.

"When a crime against human rights is committed in any country, the hands on

DAVID HECKER

the clock representing that country move forward one hour."

"That's very interesting, but I don't see a clock for East Germany."

"Yes, well, we hung that one in the kitchen, as a ventilator."

As for distinguishing West and East, there's this:

What's the difference between a democracy and a people's democracy?

The same as between a jacket and a straight-jacket.

Only through the most grotesque perversion of language, of course, can countries like East Germany claim to be democracies:

On election day, each voter is given a sealed envelope and told to drop it in the ballot box. When an elderly lady tried to open her envelope, she was challenged by a poll-watcher.

"I just want to see what's in it," she said.

"But you can't," said the official. "After all, it's a secret ballot."

When first-among-equals Honecker [Communist Party First Secretary] *gives one of his optimistic speeches, he says, "Comrades, prosperity and happiness for all socialist peoples lie just on the horizon."*

A representative of the people asks, "Comrade Honecker, what does 'horizon' mean?"

"Look it up."

According to the dictionary, the horizon is a boundary between heaven and earth; it recedes as you approach it.

Of course,

Adam and Eve were the first communists: they had no clothes, little to eat, no real shelter, and yet they believed they lived in paradise.

Socialist idealists apparently are not supposed to be concerned about petty material comforts—like necessities of life. But after a while shortages can become irritating:

When a party functionary gave a speech about the principles of the planned economy, one of the assembled workers kept shouting, "What about toilet paper?"

The functionary ignored him as long as he could and then, losing his temper, shouted, "Lick my ass!"

"That's fine, Comrade," replied the worker, "but that's only a temporary solution."

Another functionary pledges: "Comrades, after this five-year plan every citizen will have a motorcycle, after the next one a car, and after the next one an airplane."

Someone asks, "But why would we need airplanes?"

"Stupid question: Just think—you live in Rostock and you hear that toilet paper is available in Eisenach. You simply hop in your airplane, fly to Eisenach, and two hours later you're home again, without having to stand in line."

The shortages can confuse sexual relations as well:

A woman goes to a garage and asks to have her car fixed.

"Of course," says the mechanic—"but only if you give me a night in return."

The woman reluctantly agrees.

"Fine, then get in line down at the

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Robert Chappell is a self-made success story. He has founded and served as president of two insurance companies and is a recognized expert in legal tax avoidance. Mr. Chappell has resided in many foreign tax haven jurisdictions, is well versed in tax law, and has been the successor in many battles with the I.R.S. He possesses an unusual knowledge of tax matters, from both practical experience and training.

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grocery store—they've got onions! I'll relieve you in the morning."

Housing is also in short supply:

A man tells his friend about a book he's been reading. "A man flirts with a woman."

"Is it a novel?"

"They fall in love."

"A romance?"

"They get married and move into an apartment."

"I see—a fairy tale."

Yet housing isn't all that's in short supply:

In Leipzig, a man goes into a shoe store to buy some socks, but the saleslady says, "I'm sorry, you've come to the wrong place. Here we have no shoes—it's next door that they have no socks."

The people of East Germany have the Soviet Union to thank for their standard of living so, as you can imagine, there is a soft spot in their hearts for their benefactors in Moscow:

What are the three perversions of love?

Love between men, love between women, and love for the Soviet Union.

A worker says: "For the Russians I would toil night and day."

"That's what I call real socialist spirit! What is your job?"

"Gravedigger."

In a school in Gera the teacher asks, "What is our relationship with the Soviet Union?"

"The Soviet Union is our brother."

"Why do you say brother instead of friend?"

"You can choose your friends."

And, speaking of schools:

A woman who wanted to learn to make her family's clothes enrolled in sewing class. After two months her husband asked if she was ready to darn a few socks and sew on some buttons. "Are you kidding?" she said. "We're just getting around to the Glorious October Revolution."

But seriously, folks—is it killing you? Do your sides ache? Well, perhaps a little rueful laughter helps to make life less stark, if only just beyond the Wall. Many would like to cross the border, but since 1961 that has become a dangerous undertaking. The West German government has spent billions buying freedom for citizens of the "Democratic Republic." The practice is a boon to the East German economy; indeed, it's the key to every five-year plan. Perhaps with detente, entente, Finlandization, and whatnot, conditions will improve—but don't hold your breath. Meanwhile, the jokes continue:

What is a quartet?

An East German symphony orchestra after a tour of West Germany.

There's no shortage of jokes about the Berlin Wall:

Why would the people of East Germany climb trees if the Wall were opened?

To avoid being trampled to death.

And don't forget this one:

A beautiful international film star visits East Germany and meets her biggest fan, Erich Honecker.

"I'd be willing to do anything for you," he says, "because I admire you so much. Is there a wish I can grant you?"

"Yes, you can open the Wall."

"Oh, you rascal! You just want to be alone with me!"

And would the last one out please switch off the lights?

Christopher McDaniel teaches German at St. Leo College in St. Leo, Florida.

Let's Hear It for the Fashion Police

By Stephen G. Barone

Government carefully controls so many other aspects of our lives that I find it hard to believe it still allows us to dress any old way we might fancy. This notion crossed my mind as I was walking down a city street recently. Many of the people I passed had little in the way of fashion sense, as it were. There were punkers who were much too old to be punky. There were rock 'n' rollers whose rocks had years ago rolled to places south. There were fat people with horizontal stripes. There were skinny people with vertical stripes. There were young women with shoes so sensible, haircuts so severe, and suits so plain, that they resembled the social workers who were forever trying to take Shirley Temple away from Mr. Bojangles.

Surely the same logic that engenders "social legislation" could be brought to bear against this national disgrace. Consider: Communities routinely pass zoning laws that are based solely on the aesthetic tastes and values of the powers-that-be within them. Hedges have to be *this* high and no taller. Houses have to be *that* big and no smaller. Frontage has to be so many feet. Only one or another style of architecture is permissible.

I ask you, what good are such ordinances and regulations if we allow the denizens of these communities or their guests to dress in disaccord with the understated tastefulness that select alderpersons have so wisely legislated into place? Of what use is a beautifully regulated house, with its beautifully regulated landscape nestled into a beautifully regulated hill, in a beautifully regulated community, if all that beautifully regulated eye appeal might be so easily and capriciously set awry by careless and unregulated pedestrians who have little if any sense of fashion?

All is not woe. Recently, I read about a progressive community in New Jersey, a state that is more or less regarded as a national treasure when it comes to good taste and ecology. The city fathers passed a strict ordinance about what types of vehicles may and may not be left out on the streets and driveways of the neighborhoods.

Of what use is a beautifully regulated house in a beautifully regulated community when all that beautifully regulated eye appeal might be so easily set awry by unregulated pedestrians who have little sense of fashion?

It seems that a lot of the locals are working types who have their own service-oriented businesses. You know the type of uncultured scum of whom I

speak: These are plumbers and electricians, rug cleaners and furnace repairmen. Taxpayers all, but it seems a lot of them had the nasty habit of parking their pickup trucks and vans—often with unsightly lettering on their sides—overnight, right on the streets and driveways in front of their houses!

As you might guess, this did not sit well with the white wine, Gucci, and sushi set, and in the best traditions of their philosophical underpinnings they resorted to *force*. Now it's against the law to park one's pickup truck or van in one's driveway. And the local police are empowered to write tickets that carry fines for scofflaws who actually consider their driveways to be private property.

This, I think, is a step in the right direction. But this is an era of specialization. So I am not sure that such aesthetic codes ought to be left to local governments to legislate. Nor do I think that the enforcement of such codes ought to be the work of the local police.

Right here and now, I want to be the first to propose a new cabinet-level bureau, *The Department of National Fashion and Aesthetics*. Its mission would be the development and enforcement of the *Statement of National Taste*—a sane, egalitarian document that would define and direct the needs, goals, and desires of the entire nation in matters of decoration and ornamentation.

This would be a living document, one in constant evolutionary flux, as the officers of the department would continually solicit, evaluate, and then integrate the opinions of such national resources as Calvin Klein, Bill Blass, and whosever else might, from time to time, be appointed to *The National Council for Everything Beautiful*. But, best of all, this would be a cabinet-level department with teeth, as it would have its own enforcement arm, *The Fashion Police*, a highly trained group of dedicated professionals charged with enforcing *National Aesthetic Policy*.

The men and women of such a force would not only be trained in conventional police work such as arrest and apprehension, martial arts, and weaponry. They would also be knowledgeable in such essential areas as mixing and matching, laundering, and dressing for success.

Then we wouldn't have people walking down the streets of our more chic neighborhoods wearing the bottoms of leisure suits rather than pants. We'd eliminate the risk of having our in-laws arrive at our hot tub parties in last week's blue-light special from K-Mart. Maybe some sanity would return to the whole issue of lapels. Our ties would not overnight become overwide. Hemlines would be relatively stable and then, who knows, maybe the stock market.

The potential benefits are endless. We need only abandon the hopeless illusion of aesthetic freedom and replace it with the logical certainty of styling by the state.

Stephen G. Barone is a children's psychologist and fashion plate.

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Getting Transit on the Right Track

By Peter Samuel

Urban Transit: The Private Challenge to Public Transportation, edited by Charles Lave, San Francisco: Pacific Institute for Public Policy Research, and Cambridge, Mass.: Ballinger, 372 pages, $12.95 paper

In late August the New York newspapers were full of news of the 63rd St. tunnel under the East River. After some 12 troubled years of construction and close to a billion dollars of expenditures on this new four-track subway link between midtown Manhattan and Queens, it was revealed that the never-used under-river tubes have leaky walls that have led to feet-deep water and rusting track and electrical gear. Moreover, the contractor somehow left out yards of concrete that he was paid to pour. New York subway officials admitted to the tunnel being a major "debacle."

In the private sector, such massive managerial negligence would knock many points off the stock price of the corporation concerned, making it more vulnerable to takeover and the removal of its senior officers. There would be some resignations or dismissals. The company might even go broke. And the knowledge of such consequences would serve to discourage such a fiasco in the first place. But at the Metropolitan Transportation Authority in New York in August, it was all just noisy expressions of shock, a "thorough investigation" instituted, promises of prosecution if the villains can be found, and so on. No resignations or dismissals, no threat to the entrenched incompetents. In the taxpayer-underwritten government, it's usually just a public-relations show of concern to cover up the ongoing waste-as-usual.

You'd think there'd be some passionate indignation about such waste and it to go unpunished and uncorrected. It is extraordinary that such debacles should happen and keep on happening, literally right under the feet of tens of thousands of the world's most brilliant specialists in corporate finance and management, and that the city that is still unrivaled as the capital of world capitalism should just shrug its shoulders fatalistically and say there's nothing really to be done. The subways, they go on saying incorrectly, just have to be misrun by government.

Perhaps books such as *Urban Transit* are part of the reason. It is a major attempt to dissect our transit system and its institutionalization of urban waste, but there's not the tiniest spark of indignation, not the slightest flash of passion for reform in one of the contributors. Most of the 14 chapters are ever-so-polite to everyone, ever-so-careful not to overstate the case for privatization and reform of transit. But they are so well mannered and inoffensive that there is a danger the volume will slip quite unnoticed into the ocean of public-policy reportage, even though there's some excellent stuff in there that deserves attention.

It has flaws. Kenneth Orski lists Washington, D.C., which I happen to know, as a place where local businesses are sharing the cost of running downtown trolleys. Let him be informed that the only trolleys in downtown D.C. are the ones you push yourself in the supermarket. When I see a howler like that, I start to worry a little about the care with which the great processions of examples in this book have been compiled, but I think I cite an exceptional error. The book has a careful tone about it and is generally well served by displays of data.

Overall, it is a very professional and important handbook presenting the powerful case for a reversal of the tide of bureaucracy and politics that has swamped urban transit as it has been taken over by government in the past three decades or so. The general case is made for policies that move transit back under the influence of market forces through deregulation, to allow more competition and a new choice of services; through privatization; and where this isn't politically possible, through government contracting out of transit operations to businesses.

John Meyer's foreword to the book is a masterful summary of the fundamental economic forces creating trouble for transit managers. The scarcity and high cost of central city land has spawned a decentralization of jobs toward the outskirts of our rapidly expanding metropolitan areas, so the trips people want to make no longer fit the old hub-and-spoke radial pattern that bus and especially rail transit are suited to handling. Moreover, the continuing rise in labor costs and the resulting substitution of capital for labor that we see all around us, in offices and factories and homes, takes the form of the automobile when it comes to transportation. But

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transit monopolies, being large and unused to competition, are unadaptive.

Charles Lave elaborates this. In four decades of transit being taken from commercial companies and organized into government authorities with access to subsidies, there has been an extraordinary slide in transit productivity. From modest organizations designed to give shareholders and employees a living out of providing commuters with transit service they were prepared to pay for, the transit entities have been transformed into grandiose engines of social improvement and transformation, expected to banish pollution, curb suburban sprawl, provide a social service to the handicapped, be "affordable" to all, etc. Lave speculates that it is perhaps an inherent danger of any government-run project that it gets asked to "solve everyone else's pet problem, rather than being allowed to simply function in an efficient manner." Lave proceeds through the economic arguments for government monopolization of transit and finds each baseless.

George Hilton provides an original, meaty, and fascinating historical account of the rise and fall of monopolized transit, which I won't attempt to summarize. Actually, I suspect Hilton and Lave are jumping rather farther than the present predicament of transit warrants in postulating, respectively, a "crisis" and a "fall" of monopolized transit. Despite all the arguments against it, the US Congress continues to dole out billions to monopoly transit, which has remarkable political staying power.

Several good chapters show the financial viability of nonsubsidized urban transit. Commercially operated commuter bus services, van-pools, bus-pools, and subscription-bus services around America are examined in another chapter. And Gabriel Roth takes the examination overseas, where in many otherwise-regulated and often socialistic countries there are examples of transit more enlightened and free than anything America—Calcutta's and Australia's private buses; Manila's jitneys; the minibuses of Buenos Aires, Nairobi, Hong Kong, and Kuala Lumpur; and shared taxis in Northern Ireland, Mexico City, and Caracas.

The only really disappointing chapter is Sandra Rosenbloom's one concentrating on the taxi. She is not impressed by the results of taxi deregulation in several cities in the last few years. She cites complaints of price gouging, overcrowding of airports, and lack of innovation: "Free market private taxis simply don't act like entrepreneurs in a free market."

What's this? Has Rosenbloom discovered the taxi driver as a new superbureaucratic being, unresponsive to economic opportunity, unwilling to experiment or change, blind to new ways of doing things? Piffle!

Markets transform industries with even only a few entrepreneurs working at the margin, and the taxi business will attract and be shaped by such innovators like all other industries if given the chance. Half the trouble with the deregulation that's been tried is that it's so partial. Liberalization of entry into the business is described as deregulation, even as the responsiveness of the industry to the market is still distorted by remaining regulations—fare controls and rules against contract service, group riding, and the use of fixed routes and pick-up points.

With the exception of Rosenbloom's chapter, however, this is an excellent, if unimpassioned, discussion of the case for deregulating urban transit. That case is best summed up by Gabriel Roth: "The key advantage of the private operations is that, in order to survive, the operator has to seek out and efficiently provide services that the public wants to use and is prepared to pay for. The municipal operator is under no such constraints and is unable to resist political pressures to raise costs and serve underutilized routes."

Contributing Editor Peter Samuel is a journalist based in Washington, D.C.

Foot-Shooting Policy Prescriptions

By Benjamin Zycher

The Policy Game: How Special Interests and Ideologues Are Stealing America, by Peter Navarro, New York: John Wiley & Sons, 340 pages, $18.95

There exists a vast literature containing applications of economic analysis to important issues in public policy. From Milton Friedman to Thomas Sowell to Lester Thurow and beyond, whole forests' worth of paper have been allocated to expositions without jargon upon the causes of and solutions to public-policy problems. This literature is one of the true successes of the economics profession: it is reasonably rigorous, yet well-written.

The latest addition to this scholarship-for-the-masses collection is *The Policy Game: How Special Interests and Ideologues Are Stealing America*, by Peter Navarro. Unfortunately, it does not measure up to the prior body of policy literature. Navarro attempts to differentiate his product by including chapters on special interests and their tactics and on the differences between (modern) "liberal" and "conservative" ideology. These chapters are somewhat pedestrian but are nonetheless straightforward, and for that reason I would include this book on the "recommended reading" list for an undergraduate course in American political institutions. Each of the chapters on specific policy issues contains an unexceptional discussion of the relative roles of special-interest influence and ideological belief in public-policy outcomes.

The heart of Navarro's book lies in six chapters dealing with specific policy issues: rent control, protectionism, farm subsidies, electric utility regulation, the Equal Rights Amendment (ERA), and defense procurement. But in each chapter, Navarro shoots himself in the foot by presenting some of the silliest policy prescriptions that I have encountered in quite a while.

For example, he notes that rent control has failed to achieve its (purported) goals of reduced housing costs, neighborhood stabilization, and wealth redistribution to the poor. He does a decent job of presenting the well-known reasons for this. And what is Navarro's solution for the problems caused by tight housing markets? He advocates "iron-clad" agreements with developers that new housing units will be free from controls permanently. How this covenant is to be enforced over time is left to the reader's imagination.

Navarro argues further that localities "can finance the construction of more public housing for their low and moderate income population." He does not inform us how such housing is to be allocated, particularly when potentially eligible tenants from outside the given municipality migrate to it in order to

the book case

avail themselves of such largesse. Nor is he very clear about how such programs are to be financed, particularly when those ineligible move out of the locality in order to avoid the taxes necessary to pay for the accommodations.

Navarro continues: Local demands for redistribution could be satisfied by cash transfers or "rent stamps." But who would be eligible for such subsidies? And who would finance the American equivalent of the Berlin Wall needed to control the stampede of joyous beneficiaries anxious to move to localities offering such generosity? And what would be the effect of such rent subsidies on housing prices? Is it not likely that the subsidies would be reflected by land prices, and so benefit the nonpoor?

We could have, says Navarro, "protectionist impact statements"—guaranteed to bankrupt sleeping-pill companies faster than the FDA ever could.

Despite a number of analytic errors, Navarro does point out (and also exaggerate) the inefficiencies and economic costs imposed by protectionism in US international trade. And he points out, correctly, that protectionist pressures often succeed politically because such policies bestow benefits on concentrated groups, while the larger gains of free trade accrue to the benefit of the whole decentralized economy.

Again, however, Navarro's solutions fall short. The federal government could sponsor public "information" programs about the evils of trade barriers, to ensure a more informed citizenry. Such progress doubtless would be broadcast by TV stations as a public service just before the interview with the local fire chief, shown at 5:00 A.M. Sunday morning. We could have, says Navarro, "protectionist impact" statements—guaranteed to bankrupt sleeping-pill companies faster than could the FDA in its wildest dreams.

And there is more, much more. Congress could relinquish its powers over trade policy to the president and the

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Psycholinguist Suzette Haden Elgin has presented her innovative self-defense principles in a variety of formats. She has given workshops and seminars all over the U.S., including verbal self-defense sessions for doctors, lawyers, and other professionals. Dr. Elgin has also created a self-defense tape and a training manual for people who teach her self-defense techniques.

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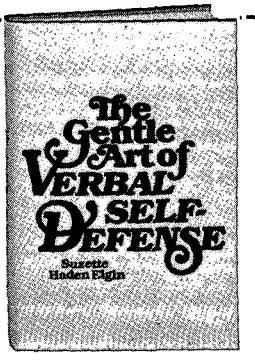

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bureaucrats. Has Navarro ever looked at the kinds of things advocated by our benevolent bureaucrats at the Commerce Department? (Hint: They are not oriented toward free trade.) And since when do politicians give up authority? The bureaucracy could "streamline its processing" of complaints about allegedly "unfair" trade policies leveled against some foreign competitors. It seems never to have occurred to Navarro that such efficiency, however unlikely in a government bureaucracy, would attract more and more complaints, thus leading to greater rather than less governmental meddling in trade matters. Navarro also advocates expansion of unemployment insurance to vastly greater numbers of workers displaced (indirectly) by import competition. Would this scheme not evolve into the federal spending equivalent of a perpetual motion machine?

Moving right along to the farm subsidy programs, Navarro commits the by-now standard quota of analytic errors but nonetheless summarizes clearly the enormous costs and waste caused by the subsidy system. He advocates a system of direct cash payments to farmers and a more market-oriented system of acreage removal, both of which would constitute net improvements over the current system.

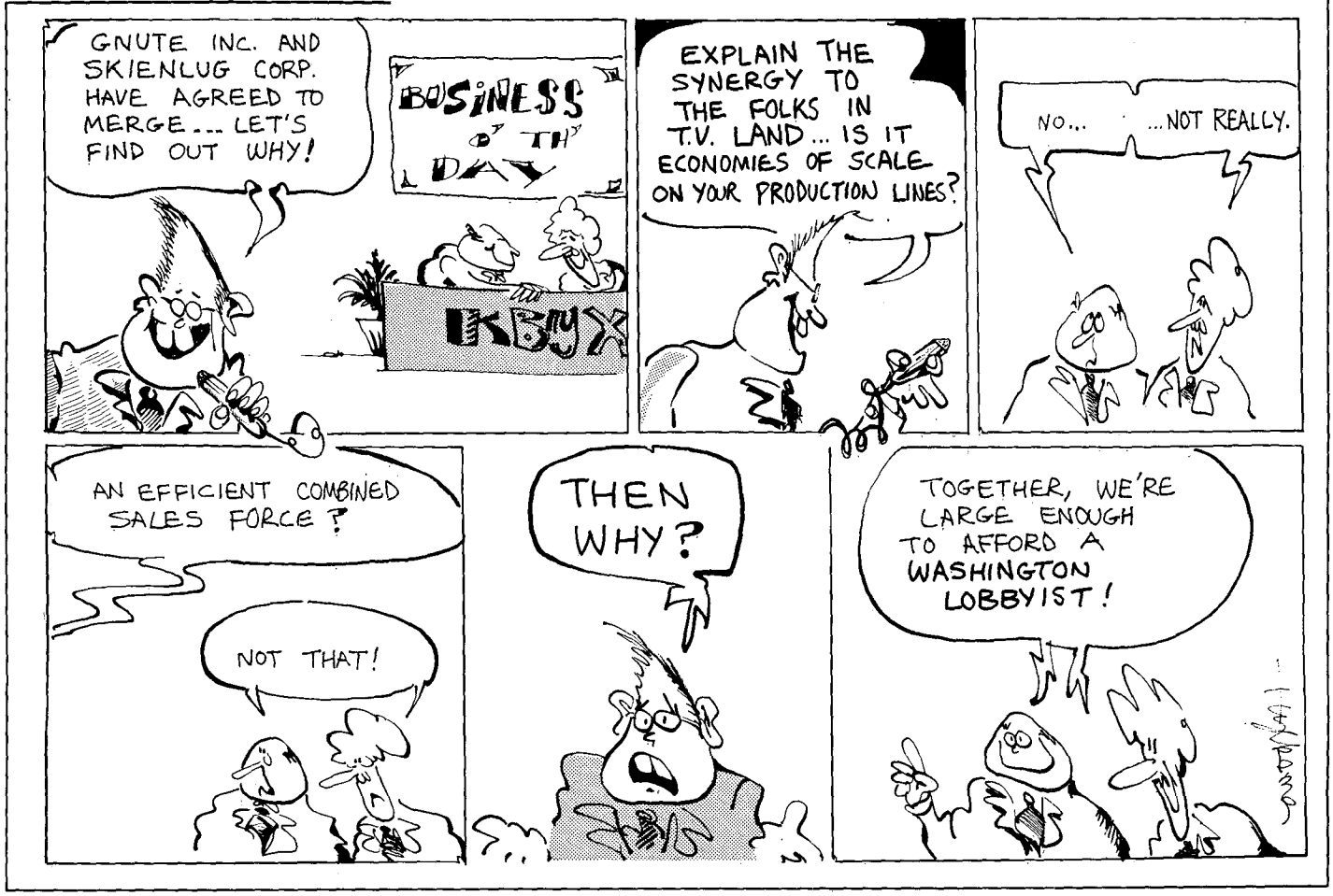
How do we make such change feasible politically? Well, says Navarro, with a "one-time" payment to farmers of tens of billions of dollars! Now, consider the political incentives generated by such a scheme. All the farm lobby would have to do to garner such juicy payments in the future would be to lobby for new programs and then offer to end them for an appropriate price. It would be the political equivalent of kidnapping.

The book turns next to electric utility regulation, the sole area in which Navarro has any substantial expertise as a policy analyst. Analytic errors aside (again), Navarro summarizes nicely the problems caused by regulatory lag and rate suppression by many public utility commissions (PUCs). (Navarro's dire warnings about future blackouts, however, are overblown: because of the PUCs, future electricity generation will be much more costly than necessary, but mere availability is unlikely to be a problem.) The obvious answer is to deregulate electricity generation; because transmission and distribution costs have fallen relative to generation costs, much greater competition for service to any given community is now economic.

Navarro apparently does not support this clear solution. His proposal? First, appointment rather than election of PUC commissioners. Navarro gives no thought to the implications of this proposed change; after all, do appointed judges make systematically better decisions than elected members of Congress? Do we really want decisionmakers to be less rather than more accountable? Second, Navarro argues, curiously, that utilities ought to combine both "hard" (central generating plants) and "soft" (wind, solar, geothermal, etc.) sources

rudebarbs

Randall K. Hylkema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of electricity. This is despite the uneconomic nature of most soft generation. Finally, he argues that regulation ought to be on a regional instead of a state-by-state basis. Is there any evidence that greater centralization of governmental authority leads to enhanced economic productivity?

The chapter on defense procurement contains, aside from still more analytic errors, the standard discussion of weapons complexity, perverse Pentagon incentives, and budgetary uncertainty. Part of the discussion is incoherent; for example, Navarro complains at one point that weapons complexity precludes acquisition of large numbers of weapons, so that scale economies cannot be achieved. He then advocates later that given weapons be produced by two (or more) firms in order to enhance "competition." He seems not to realize that such "dual-sourcing" probably would exacerbate the scale-diseconomy problem even more. Navarro wants defense bureaucrats to "insist" on accurate cost estimates; but how can "accuracy" be measured ex ante? And how is this to be enforced in a way consistent with the bureaucrats' institutional incentives? The bureaucracy, after all, is in business to induce Congress to approve weapons, not reject them.

Above all, Navarro wants more "arms control" as a means of "reducing tension" and thus the need for weaponry, begging the question whether arms produce tension or tension produces arms. Does "arms control" make the United States (and the world) more or less safe? What are the incentives faced by the Soviet leadership? Even if agreements can be "verified," how can they be enforced? Navarro displays not the slightest insight into the answers to or even the existence of such issues.

And finally, there is the chapter on the Equal Rights Amendment. With trumpets blaring, and errors of analysis aplenty, it is an utterly unabashed propaganda parade for the ERA. For Navarro, women's rights and the ERA are synonymous. He would have us believe that the anti-ERA movement has been composed solely of Mormons, proselytizing fundamentalists, housewives, mothers, and other assorted Neanderthals, while ERA proponents are "largely well-educated, working women who prided themselves on their rationalism (and who) refused to stoop to (Phyllis Schlafly's) level." And where was Navarro during the boycott and other assorted pressure tactics, during the demands for the (clearly illegal) extension of the deadline, and during the attempts to bribe Illinois legislators into voting for the ERA?

As Navarro would have it, the ERA failed because of a lack of "charismatic leaders." Had Gloria Steinem or Betty Friedan led the fight—Navarro here is being absolutely serious—the ERA would have passed. Now there are two who really would have played in Peoria!

Throughout the chapter, Navarro asserts the widespread existence of discrimination against women. His evidence? The wage gap, which he adjusts to 60 cents from the famous 59 cents. Does he control for education? No. For experience? No. For labor-market mobility? For myriad other factors, many intangible, that determine market wages? Sorry. Navarro simply advocates that the ERA be passed in the name of "equality." Nowhere does he consider what the courts could read into an embryonic monster like the ERA. This chapter has to be seen to be believed.

I have noted in passing several times the analytic errors in this book, discussion of which would consume another whole article. Here is an example:

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Recess checks shape and locates coin for weight check.
Slot checks the maximum diameter and thickness.
Coin identification, fine gold content, fineness.
Fulcrum checks the minimum weight. The gauge tips at 0.7% below manufactured weight to allow for acceptable wear.
ALL THAT GLITTERS...
IS NOT GOLD!
PROTECT YOURSELF FROM FAKE GOLD
Are you getting what you paid for? Here is an example of someone who didn't: A genuine U.S. $20 gold coin contains 0.9675 troy ounces of gold. But this counterfeit version contained only 0.6160 troy ounces. (IBSCC Report #267).
The Fisch will detect fakes like these in seconds. Any place. Any time. No need to depend on the word of another. With the Fisch you are your own gold expert.
HOW THE FISCH WORKS
The Fisch checks the weight, diameter, thickness and shape of a coin. These checks will detect all common metal fakes. The reason? Gold has a greater density than the common metals such as lead, brass, copper and steel. This means that it is impossible to make a common metal fake that is identical to a genuine coin in both weight AND size.
THE MODERN FAKE IS DANGEROUS
But it cannot fool the Fisch. Which is why the Fisch is used by major gold dealers throughout the world. Their names read like a "Who's Who" of the gold industry. They know their business. Take a tip from them.
The Fisch is recognized as a breakthrough in fake detection and design and has been reported in Newsweek, The Numismatist, U.S. Banker, Rand Daily Mail (Johannesburg), Mainichi Daily News (Osaka) and Coin Monthly (London) among many publications.
BE YOUR OWN GOLD EXPERT WITH THE FISCH
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☐ Wallet #4: Maple Leaf 1, 1/4 & 1/10 oz.
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Navarro correctly argues that rent control reduces the mobility of renters, because artificially low rents induce them to remain in controlled apartments longer than would be the case otherwise. He then argues that this "lock-in effect" increases unemployment, "as workers are less willing to commute longer distances to find and hold jobs."

This conclusion is incorrect: because rent control reduces the supply of housing—and thus of workers for any given cost of commuting—in a given area, wages will be bid up there and down elsewhere, so that the result would be inefficiency in the allocation of labor instead of increased unemployment. (This assumes that the demand for labor in the two areas is unchanged, which probably would not be true because of other perverse effects of rent control.)

For all the importance of his overall topic, Navarro's is a mediocre book. Buy it only if you have $18.95 to spare. But then, one can think of much better things to do with spare change.

Zycher is an economist in Canoga Park, California. During 1981-83 he was a senior staff economist at the Council of Economic Advisers.

Breathes There an Educated Capitalist?

By John Nelson

***Schooling and Work in the Democratic State*, by Martin Carnoy and Henry M. Levin Stanford, Calif.: Stanford University Press, 297 pages, $32.50/$10.95**

What's happening in the school systems of the Western democracies? Why? And what does the future hold? *Schooling and Work in the Democratic State* is intended as a scientific description of the educational landscape focusing on these features.

What lends the inquiry urgency for the authors is the very answer to the first question; for what is happening today, particularly in the United States, contend Martin Carnoy and Henry M. Levin, is a seemingly irresolvable crisis. The authors see an abundance of youths with a very high degree of formal education—but a lack of jobs conforming to their expectations and educational training. So they are forced, on entering the job market, to accept work that is boring, unrewarding, and alienating. As a result, we face an unstable, potentially explosive social condition and a loss of productivity and profits in industry and elsewhere because of absenteeism, carelessness, and even sabotage.

What has caused this crisis? The authors lay the blame at the door of an ongoing educational "contradiction" in democratic capitalism. (This is familiar territory for coauthor Carnoy, whose earlier work, *Economic Democracy: The Challenge of the 1980s*, has served as a sort of bible to progressive-left community activists.)

Capitalism, they argue, imposes by its very nature a nonegalitarian and nondemocratic workplace. Genuine responsibility and challenging, productive work are reserved for a select few.

Workers, however, "are made, not born," say the authors. In advanced capitalism, where public education has replaced family education and the apprentice system, it is the school system that molds workers. The capitalist, needing workers, tries to see to it that the school system reproduces the nonegalitarian and nondemocratic workplace. He does this through his control, or partial control, of school boards, the media, and political parties. In the 1950s and '60s it seemed that a more highly trained and educated workforce would be needed to man the new, more-automated instruments of production. Thus, capitalists urged that higher education be expanded and made available to greater numbers of the young. But they did so without meaning to alter the repressive structure of their workplace.

Even in capitalist democracies, though, it is not *just* the capitalists who shape the educational system. There is also a spirit of egalitarianism, presumably a social shaping-force intrinsic to schooling itself but most notably expounded, as Carnoy and Levin see it, by the philosopher John Dewey.

Thus the inherent contradiction embodied in the school system of a capitalist democracy: the nonegalitarian mandate to reproduce the nonegalitarian

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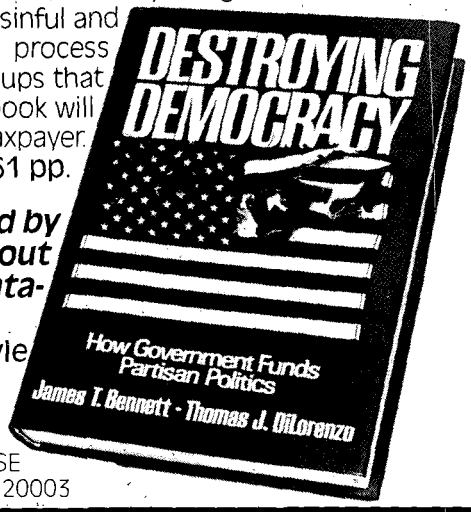

"This book should be read by all who are concerned about the future of representative democracy."
—Senator Dan Quayle

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workplace butts up against the broad social mandate initiated by schooling itself to impart to schooling and even to the state and other institutions an egalitarian, democratic shape and ethos.

In the past, higher schooling was associated with upward mobility in society, better jobs, higher pay, and so on. This association, under the lens of the egalitarian ethos, translates into higher education for all. In the '50s and '60s, the spirit of egalitarianism, combined with the capitalist's desire for more highly educated workers, spurred the production of a large population of well-educated youth. The economic contraction of the late '70s and early '80s, coupled with the discovery that automation does not result in interesting and rewarding work for most workers, left this population high and dry, so to speak. Thus the present "crisis."

How will it be resolved? The authors review various alternatives, some pertaining to the workplace, some to the broader political environment. They themselves seem to think things will go like this: The capitalists will try to eliminate boredom, absenteeism, alienation, and other productively dysfunctional factors in the workplace. They will do so by exchanging the routine assembly-line operation, which is perfectly calculated to alienate more-educated minds, with largely autonomous work teams. These teams will be responsible for their own production, setting of standards, and so on. They will, however, still be under the final control of the capitalists. The employment of such work teams, it is inferred, will allow the exercise of imagination, reasoning, and responsibility on the part of a more highly educated workforce and so moderate its alienation.

For all its good intentions, the authors' treatment of the problem of over-educated youth is quite inadequate.

As a largely self-governing body, the work team will naturally embody the principles of egalitarianism and democracy. The school system will reflect this change by exchanging its individualistic, competitive structure for one in which, mirroring the work team, projects will be assigned as team projects. Capacities to work well with others will replace the individualistic skills that are now emphasized and competitively graded.

Thus, except that the capitalist with his nonegalitarian status and control of things will remain in ultimate power, the workplace, the school, and the spirit of democracy and egalitarianism will be brought into unison. The authors hint, but no more than hint, that the final, stable resolution of the present crisis will necessarily involve the replacement of capitalist ownership by syndicalist or some related form of ownership and control.

Needless to say, I have only touched

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upon the main points and proposals of *Schooling and Work in the Democratic State*. I have not considered a good deal of supposedly empirical tissue supposedly supporting the authors' claims. Even the claims themselves have been boiled down to the bone. The same boiling-down will have to characterize my evaluation.

The objective reader of Carnoy and Levin's book will find in it several interesting things: the authors' attempt to propose a dynamic theory of education having an empirical, scientific base and providing seemingly scientific predictions of the future; their ingenious attempt to weld Deweyian progressivism, wherein schooling is the primary force behind the accomplishment of the social ideal of egalitarianism and democracy, onto Marxian functionalism, wherein schooling is a derivative force that serves the aims of whatever economic system happens to be in place; and their focus on over-education of today's youth.

My own, nonscientific prediction is that the same reader will conclude that the scientific pretensions of this work are just that and nothing more, that the amalgamation of Dewey and Marx in no way disconfirms the saying that two wrongs don't make a right, and that, for all its good intentions, the authors' treatment of the problem of over-educated youth is quite inadequate.

They repeatedly represent questionable and even discredited dicta of Marx and Dewey as self-evident truths. Without one batting of a critical eye, for instance, they have employers extracting "surplus value" (*sic*) from workers. They divide the population neatly and systematically into capitalists and workers. Every conflict is a contradiction. Capitalism *a fortiori* opposes social mobility, the hiring of women and minorities, and so on. Egalitarianism and democracy are unmitigated goods. And so on.

One is tempted to cry out, "For shame!" For certainly, an open, inquiring, self-questioning mind is called for by science. And scarcely a modicum of that graces this work.

Considering with what a bland face *Schooling and Work in the Democratic State* promulgates questionable and even bad theory as plain fact, and the prestigious role it is unfortunately likely to play in schools, councils, and bureaucracies of education, the objective reader may be pardoned, I think, a number of grave forebodings. How dreary, for instance, the prospect of schools dedicated to team projects predictably of the sort, "How can the renting of houses be made more democratic?" How dreary for all concerned, teachers and students alike.

John Nelson is a professor of philosophy, emeritus, at the University of Colorado, Boulder.

book hints *a selective mention of books received for review*

The Third World War has come and gone; a handful of megacorporations fills the power gaps left after the demise of the superpowers; a computer with volition, self-awareness, and intelligence triggers a struggle for supremacy among existing power brokers. From these foundations, Victor Milan constructs a science fiction work, *The Cybernetic Samurai* (New York: Arbor House, 300 pp., $15.95), being touted by some as comparable to Robert Heinlein's classic, *The Moon is a Harsh Mistress*.

A more immediate future is the focus of a nonfiction work, *Competing Visions: The Political Conflict over America's Economic Future*, by Richard B. McKenzie (Washington, D.C.: The Cato Institute, 216 pp., $20/$8.95). In many ways a response to and refutation of the view that America is deindustrializing, *Competing Visions* combines economic analysis and empirical data to show that greater government involvement in the economy à la "industrial policy" will not yield prosperity.

Offering a similar conclusion, but more theoretical in scope, Don Lavoie challenges the case for government administration of the economy in *National Economic Planning: What Is Left?* (Washington, D.C.: The Cato Institute, and Cambridge, Mass.: Ballinger, 291 pp., $9.95 paper).

The perspective of Nobel Prize-winning economist Milton Friedman, whose book and TV series *Free to Choose* won widespread acclaim in the early '80s, is clearly summarized by Eamonn Butler in *Milton Friedman: A Guide to His Economic Thought* (New York: Universe Books, 256 pp., $16.50/$8.95). Another work, *Discovery and the Capitalist Process*, by America's leading exponent of the Austrian school of economics, Israel Kirzner (Chicago: University of Chicago Press, 192 pp., $22.50), offers a fascinating glimpse of free markets, entrepreneurship, and government regulation.

One way to buck the trend of national planning and build freer markets is to speak up before the very legislators whose "ayes" and "nays" shape economic policy. *No, Minister*, by Ralph Harris of London's influential Institute of Economic Affairs, is a collection of his speeches before the British House of Lords in which the author makes spirited and articulate attempts to persuade against all manner of economic intervention (London: Institute of Economic Affairs, distributed by Transatlantic Arts, Albuquerque, N.M., 64 pp., $6.95 paper).

Arguing the case for less government still leaves the agenda for change unclear. *The Privatization Option: A Strategy to Shrink the Size of Government*, edited by Stuart M. Butler (Washington, D.C.: The Heritage Foundation, 97 pp., $6.95 paper) compiles essays by a number of policy experts, including REASON's Robert W. Poole, Jr., who demonstrate how and why the shifting of government functions into the private sector can work.

Taking up one particular government policy and the outlook for the future is *Social Security: Prospects for Real Reform*, edited by Peter J. Ferrara (Washington, D.C.: The Cato Institute, 220 pp., $8.95 paper). Deregulation in another policy area, health care, is outlined in *Competition and Home Medicine*, by W. Duncan Reekie and Hans G. Otzbrugger (London: Institute of Economic Affairs, distributed by Transatlantic Arts, Albuquerque, N.M.: 56 pp., $6.95 paper).

Schools and education policy continue to receive widespread attention as the "Johnny-can't-read-problem" remains with us. Martha Brown's *Schoolwise: A Parent's Guide to Getting the Best Education for Your Child* (Los Angeles: Jeremy P. Tarcher, 256 pp., $9.95 paper) does not map out a new education policy. It does, however, provide good, solid information on how parents can cope with the existing system.

—Lynn Scarlett

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THE CLASSIFIED AD DEADLINE FOR THE APRIL ISSUE IS JANUARY 20.

viewpoint

By Jeff Riggenbach

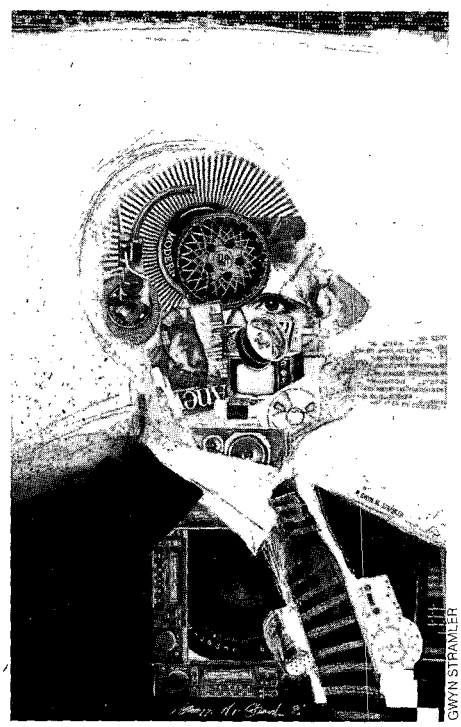
People Si, Literati No!

According to William Bennett, secretary of Education and former chairman of the National Endowment for the Humanities, the neglect of the humanities in our colleges and universities, to say nothing of our secondary schools, is a national scandal. According to Librarian of Congress Daniel Boorstin, our society is now menaced not only by illiteracy—long a favorite whipping boy of educators and professional humanists—but also by "aliteracy," which means being able to read but choosing not to do so.

As a percentage of the total population, fewer people *are* reading books these days, either for information or for entertainment. There was a time when the only way to get certain kinds of information and entertainment was by reading. In those days, there were millions of people who therefore read, but for whom reading was not an end in itself. They read only as a means to an end, in order to get the information or the entertainment they wanted. Now such people can get what they want from television, so they don't spend as much time reading.

But, contrary to Bennett, Boorstin, et al., there is nothing intrinsically "better" about reading the latest news for oneself instead of listening while some other person reads it aloud. Nor is there anything intrinsically "better" about reading fiction instead of watching movies. After all, who is to judge how much detail any given individual wants in his information? Who is to judge what sort of story, and what sort of storytelling, will entertain him most satisfactorily? Each individual is the only qualified judge of these matters. For what would be the alternative? Having government decide for us?

Neither Mr. Bennett nor Mr. Boorstin has proposed any such thing. But it seems quite obvious that their great concern over the current state of reading is in large part a concern that Americans are reading the "wrong" things, for there is no getting around the fact that they *are* reading. Percentages aside, and speaking in absolute numbers, more books and periodicals are being published and read today than ever before in history.



GWYN STRAMLER

Book reading has fallen off among some groups in the population, but periodical reading has been growing steadily. There no longer seems to be much of an audience out there for the "serious" novel, but the demand for certain kinds of "popular" fiction is growing dramatically. And any serious reader with an open mind can easily satisfy himself that there is real food for thought to be found in many of these "popular' works. All he needs to do is sample some of the best of the science fiction novels that have been published over the past few decades.

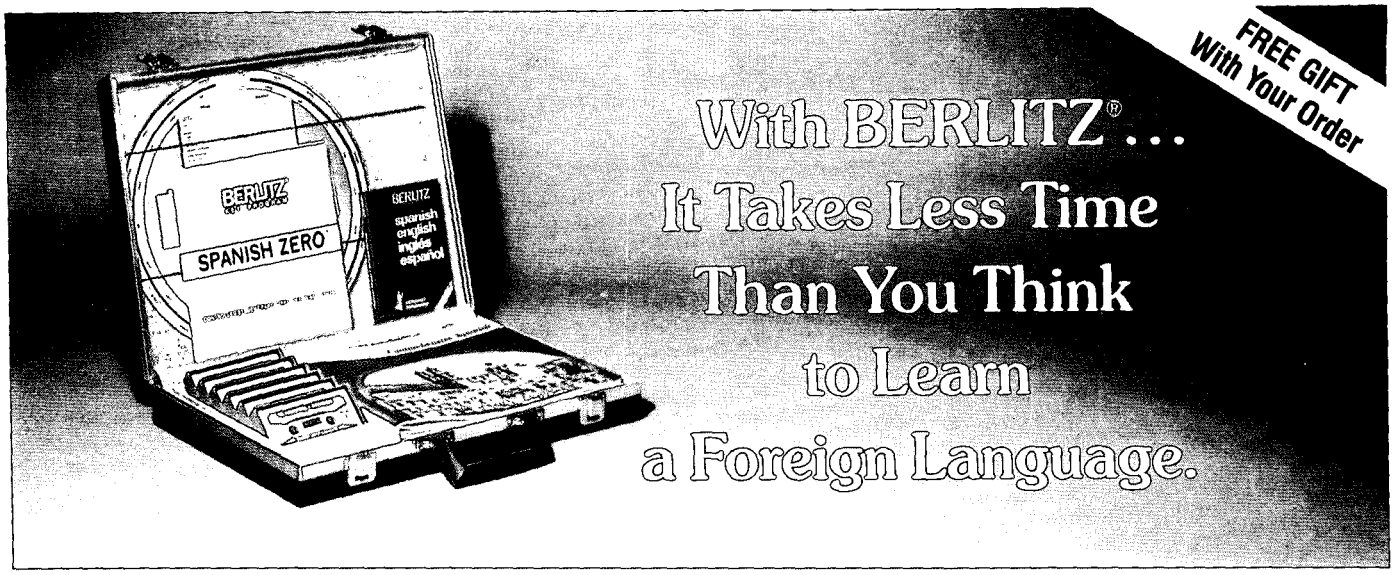
Nor is interest in fields like philosophy and history in a real overall decline. Fewer students are enrolling for the courses offered in these subjects in our colleges and universities, for reasons well explained a few months ago in the pages of this magazine by philosophy professor Max Hocutt ("Humanities' Ills," Oct.). But if readers are no longer interested in philosophy and history, how are we to account for the fabulous popular success of writers like Ayn Rand, Robert Pirsig, Seymour Hersh, and Robert Caro?

Publishers Weekly, the trade journal of the book industry, reported recently that nonfiction books consistently outsell fiction and that history and biography are among the three most popular types of nonfiction. People may not be reading the philosophers and historians who rate in academia and among the writers and readers of the New York Review of Each Other's Books, but they are reading philosophy and history, if not under the guidance of a professor, then under the guidance of their own taste.

"Taste" may seem a peculiar word to use in discussing the value of the humanities, but in fact taste is at the heart of the whole matter. Those who love the classic tradition of Western philosophy, art, literature, and social thought are passionate about that body of work, and the intensity of their passion leads many of them into the futile and unattractive business of proselytism. In this they are not fundamentally different from the devotees of running, the followers of the fitness craze, and the idolators of the computer who are all around us these days. All these people are hobbyists. Each of them has found what seems to be the ideal means of escaping boredom and finding pleasure. And it is natural and understandable that the most fervent among them should come at last to regard their avocation (for a lucky few, of course, it is also a vocation) as the central and dominant force in life, the repository of the ultimate essence of things, and the cornerstone of civilization.

But such zealots would do themselves a favor by learning that selling a product too hard can drive away even customers who might have been ripe for conversion. And they would do all of us a big favor by refraining from using our money—the taxes that underwrite the National Endowment for the Humanities, the Department of Education, and the Library of Congress—to fund their campaign to shame us into abandoning *our* hobbies and taking up *theirs*.

Contributing Editor Jeff Riggenbach is a freelance writer whose own tastes run to literary criticism, classical music, and modernist fiction.



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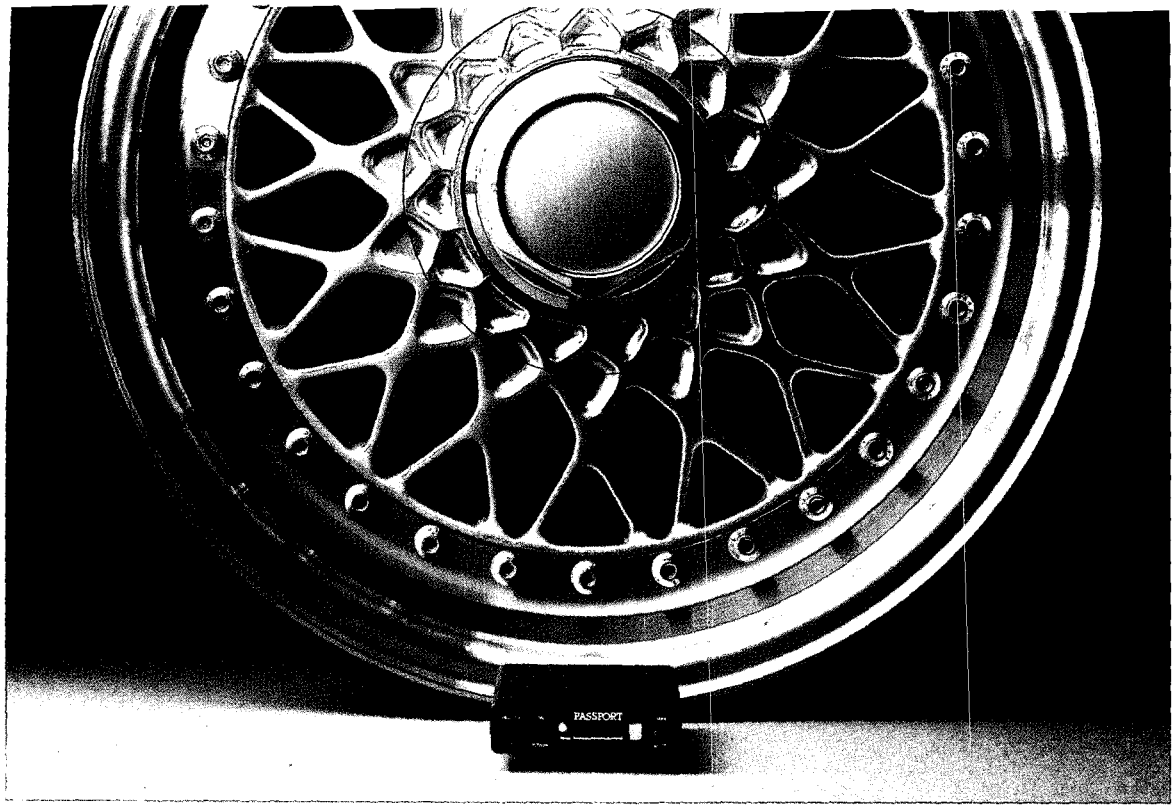

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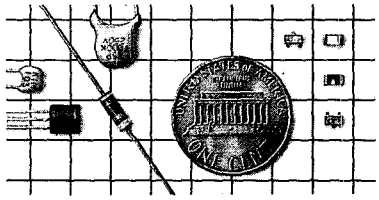

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